Galaxy Resources Limited

ANNUAL REPORT

YEAR ENDED 31 DECEMBER 2019

GALAXY

CORPORATE DIRECTORY

Board of Directors

Mr Martin Rowley	(Independent Non-Executive Chairman)
Mr Anthony Tse	(Executive Director)
Mr Peter Bacchus	(Independent Non-Executive Director)
Mr John Turner	(Independent Non-Executive Director)
Ms Florencia Heredia	(Independent Non-Executive Director)
Mr Alan Fitzpatrick	(Independent Non-Executive Director - Appointed 16 January)

Chief Executive Officer

Mr Simon Hay
(Appointed 1 July 2019)

Chief Financial Officer

Mr Alan Rule

Company Secretary

Mr John Sanders

Registered Office and Principal Place of Business

Level 4 / 21 Kintail Road
Applecross
Western Australia 6153
Australia

Phone: + 61 8 9215 1700
Fax: + 61 8 9215 1799
Emails: reception@gxy.com (General Enquiries)
Info: info@gxy.com (Investor Relations and Media Enquiries)
Website: www.gxy.com

Legal Advisers

Australia:

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

Canada:

Fasken Martineau DuMoulin LLP
The Stock Exchange Tower
800 Victoria Square, Suite 3500
Montréal Quebec H4Z 1E9
Canada

Argentina:

Allende & Brea
Maipú 1300
Level 11, C1006ACT
Buenos Aires
Argentina

Share Registry

Computershare Investor
Services Pty Limited
Level 11, 172 St Georges Terrace
Perth Western Australia 6000
Australia

Phone: 1300 850 505
Phone: +(61 3) 9415 4000 (International)

Website: www.computershare.com.au
Investor Centre: www.investorcentre.com

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

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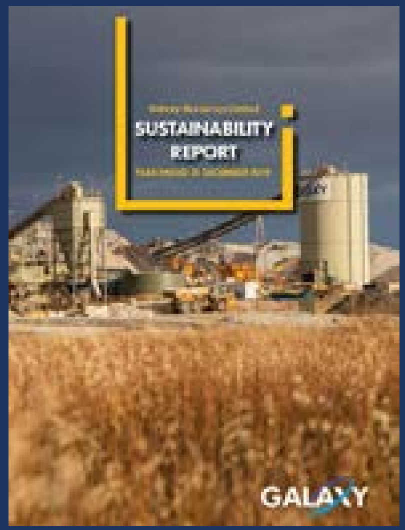
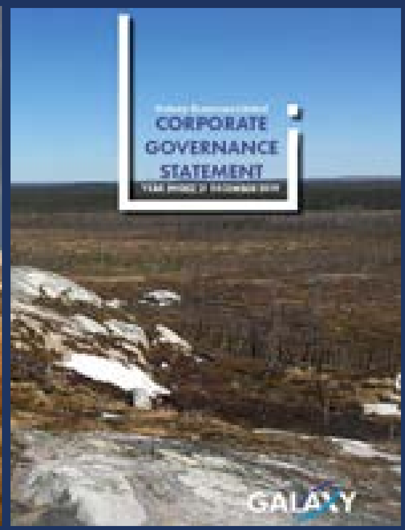




See the rest of our 2019 reporting suite at www.gxy.com

CHAIRMAN'S LETTER

On behalf of the Board, I am pleased to present our Annual Report for the year ended 31 December 2019. While the 2019 financial year presented challenges for the global lithium market, Galaxy Resources Limited continued its strategy to become a leading global supplier of high-quality lithium products.

year, our view of the underlying fundamentals and outlook for the lithium market has not changed. We remain confident about, and committed to, the future of the industry. Indeed, with the acceptance of climate change as a reality, we particularly consider the rapid electrification of the motor industry as now

"I am proud to report that we are in the strongest financial position in the history of the Company. Our balance sheet remains robust, with cash and financial assets of US$143.2 million and zero debt as at 31 December 2019. This financial position, together with our diversity of global assets, continues to uniquely position us in the industry to react promptly to evolving global market conditions."

A key focus remains upholding the highest standards of operational excellence and sustainability across our three global locations in Australia, Argentina and Canada. We also continue to consider suitable opportunities as they arise in order to complement and unlock shareholder returns from our existing world class brine and hard rock assets.

2019 was a very challenging year for the lithium market. Changes in the subsidy regime in China, together with oversupply in the market, resulted in a significant decline in Chinese domestic pricing for lithium carbonate and hydroxide and in turn spodumene. The demand for lithium raw materials from chemical conversion plants has not increased since 2018, while supply has increased due to new entrants to the industry. In response a number of lithium miners curtailed production plans and deferred or cancelled various expansion plans during the year.

As an established responsible producer, Galaxy sees this time as a positive re-adjustment in the market. We remain focused on maintaining low production costs to ensure sustainable cashflow from operations are generated despite the current lower pricing environment. To adapt to current market conditions, Galaxy will implement lower operational settings in 2020 to prioritise value over volume.

Notwithstanding the market challenges of the

essential. With the requirement for significant demand growth to be met, increased supply from well established, reliable and financially secure companies such as Galaxy will be necessary.

Throughout the year advancement of our two world class development assets, the Sal de Vida brine project in Argentina and the James Bay spodumene project in Canada, continued. Sal de Vida is globally recognised as one of the world's largest and highest quality, undeveloped brine deposits. With significant technical advancements and a staged development approach, Galaxy is well positioned to substantially fund stage one of development at Sal de Vida and bring the project online during a period of double-digit lithium demand growth. James Bay remains a strategically located project with current development activity aimed at defining and optimising an upstream mine and concentrator operation with an integrated downstream conversion facility.

Safety and sustainability is embedded in our business and we are committed to social and environmental engagement. This sentiment is reflected with the publication of Galaxy's first stand-alone Sustainability Report. The product we supply meaningfully contributes to the use and storage of energy and provides

an opportunity to power innovation while considering our wider impact. For this reason Galaxy is strongly committed to sustainable growth to ensure that, through our operations, the lives and wellbeing of our workforce is paramount and we contribute to both the communities in which we operate and improvement of the environment.

In July 2019, we welcomed Chief Executive Officer, Mr Simon Hay whose experience includes senior positions at major Australian mining companies such as BHP Billiton, WMC Resources and Iluka Resources. Most recently Simon was Head of Resource Development at Iluka, with accountability for exploration & geology, mine planning & development, major projects & engineering and technology & innovation. Simon has over fifteen years operational experience in assets located across Australia and internationally and has also spent five years in Asia leading Iluka's Asia-Pacific and then global, zircon marketing activities.

Simon has the ideal blend of skills and experience in operational, development and marketing roles to be able to lead Galaxy through its next phase of growth. After a comprehensive search process, Simon's experience in guiding projects at an early stage and established mines in jurisdictions such as Sri Lanka and Sierra Leone convinced me he was the ideal candidate to lead Galaxy's plans for the development of its two-world class international assets in Argentina and Canada. His operational expertise has already been applied to optimising and extending the life of our existing operations at Mt Cattlin in Western Australia.

As always, I extend my thanks and gratitude to our senior executive management team who continue to work tirelessly in order to develop and implement Galaxy's ongoing expansion strategy through the enhancement of internal expertise. Our achievements of today and tomorrow would not be possible without the ongoing support of our shareholders, customers, partners, communities and

everyone in the Galaxy team. We thank you for this support and are pleased to lead Galaxy on the journey towards becoming a leading global lithium company.

The recent difficult years are typical as new industries mature. Eventually an equilibrium will be reached with acceptable profits achieved throughout the entire supply chain. With our excellent management team, high class development assets and strong finances I am confident that Galaxy will be a leading industry participant. With the opportunity to have a positive impact on technological advancement and impact business innovation we can make a difference in the lives of people all around the world as we power the future. We will make a difference!

Martin Rowley - Chairman
13 March 2020

MESSAGE FROM OUR CEO

I am pleased to be writing my first message to shareholders as Galaxy's Chief Executive Officer. I am honoured to lead the Galaxy team through an exciting period of growth and development and am confident that my experience in project development, operations and marketing will assist the Company in achieving its objectives.

What initially drew me to Galaxy was its tier one asset, Sal de Vida, which underpins the Company's objective to create a sustainable, large scale, global lithium chemicals business. Further, Galaxy is well positioned to countercyclically invest in its growth plans and bring them online to meet forecast demand growth.

One of my first tasks on commencing was to undertake a rigorous review of Mt Cattlin operations and the projects with the executive team. The review identified opportunities to adapt to the challenging lithium market by deploying capital more efficiently, optimising Mt Cattlin and de-risking project development. This led to a modified, focused and simplified corporate strategy to accelerate our growth plans. The strategy is comprised of three pillars representing Mt Cattlin and the short and longer term growth objectives of the Company.

Firstly, at Mt Cattlin we continued optimising the plant and reduced costs, with the assistance of our major contractors. The 2020 operating plan prioritises value over volume, the processing of stockpiled ore and targets the generation of positive free cash flow. Lower operational settings will enable the drawdown of spodumene concentrate inventory and we will retain the capability to swiftly ramp up operations should market demand increase.

Positively, Mt Cattlin achieved a record breaking year in production volumes, quality and costs however, sales were negatively impacted by the slowdown in the lithium chemicals market. During this challenging time, Galaxy's customers endeavoured to honour their offtake commitments despite their own significant financial pressures. When working with our customers, we were cognisant of the fact that forcing sales onto customers in such circumstances would harm long term relationships, and therefore we agreed modified shipping schedules.

While we have medium term volume contracts in place for all of 2020's forecast production and year-end inventory, we must now contend with the COVID-19 pandemic. Our priority is the wellbeing of our people and stakeholders and we have implemented preventative measures at all sites. Mt Cattlin operations continue uninterrupted at the time of writing and we remain cautiously optimistic about 2020 sales as we field enquiries from new customers who are concerned with other supplier production curtailments and recognise Galaxy as a reliable supplier of high-quality spodumene concentrate.

The second growth pillar is to advance and execute the Sal de Vida project and I was very pleased with the process development work that occurred in 2019. This work has resulted in a fundamental change in process route and development strategy that will unlock significant value in the project. The process chemistry review along with the decision not to produce potash led to the adoption of a simplified flow sheet with fewer processing steps. A de-risking approach to project development was adopted enabling construction and operations to be split into at least three separate stages to smooth capital expenditure and reduce ramp-up risk. Stage one can be substantially funded internally and targets production of primary grade lithium carbonate.

Galaxy is committed to developing Sal de Vida as a globally competitive project from both a capital intensity and unit operation cost perspective and work to date have strongly indicated that this outcome is feasible. Product offtake discussions with potential customers are well advanced and the project is on track to a final investment decision ("**FID**") in H2 2020 and enter production in 2022, pending any lasting impacts from COVID-19.

The third pillar of our corporate strategy is the pursuit of further growth and expansion opportunities in the medium to long term. It is envisaged that subsequent stages of Sal de Vida will include expansion of primary lithium carbonate production at site and the building of a purification facility offsite to upgrade primary grade product to battery grade lithium carbonate. Additionally, we will look to complete a feasibility study of the James Bay project and consider diversification into downstream hard rock conversion.

At a corporate level, senior executives accountable for project delivery and human resources were recruited to join the Company in Q1 2020. Further project execution capability will be added throughout the year as required.

The health and safety of our workforce is of paramount importance to the Board and management of Galaxy. It is disappointing to report an increase in Total Recordable Injury Frequency Rate in 2019. However, programs in 2020 are focused on personal risk awareness and hazard minimisation to reduce the exposure of our workers to potential injury. Positively, Mt Cattlin remains lost time injury free since operations were restarted in late 2016. During 2019, we also embarked on a journey to further understand and manage our material sustainability topics and enhance our sustainability performance.

Finally, I would like to thank all Galaxy staff for their efforts and support in 2019. In particular, I would like to congratulate the Mt Cattlin team for their record-breaking year in production and the flexibility they demonstrated in optimising operations going forward.

With an experienced team and robust execution strategy, we have the power to advance our world-class assets and unlock value for shareholders. 2020 promises to be an exciting year for the Company with Sal de Vida progressing towards FID. I look forward to updating shareholders on Sal de Vida's advancement and execution of our corporate strategy during this growth phase.

Simon Hay

Chief Executive Officer
13 March 2020

KEY HIGHLIGHTS 2019

OPERATIONAL - Mt Cattlin

2019 was a record breaking year for production volumes, product quality and unit costs

Lithium concentrate produced:
191,570 dmt
22% increase on 2018

Final product grade:
5.93% Li_2O
3% increase on 2018

Lithium concentrate sold:
132,687 dmt
17% decrease on 2018

Unit operating costs:
US$391 / t FOB
13% decrease on 2018

SUSTAINABILITY

First stand-alone Sustainability Report published for 2019 and sustainability program commenced

14.47 TRIFR
New safety programs in 2020

Human Rights Policy adopted

Mt Cattlin remains
LTI free

100% local teams
at Sal de Vida and James Bay

CORPORATE AND FINANCIAL[1]

Cash and financial assets:
US$143.2M[2]

Revenue:
US$69.5M

Debt:
US$Nil

EBITDA:[3]
US$6.8M[4]

1. As at 31 December 2019.
2. Includes US$42.3M of financial assets.
3: Non-IFRS financial information that has not been subject to audit by Galaxy's external auditor.
4. Excludes inventory write down of US$23.6M to reduce inventory valuation to net realisable value.

DEVELOPMENT - Sal de Vida

Optimised & simplified flowsheet

Improves product quality, reduces capital intensity and technical risk and accelerates the evaporation cycle

De-risked development strategy

Smooths capital expenditure & reduces development risk

Flexible product strategy

Targets initial commercialisation of primary lithium carbonate with optionality to produce lithium hydroxide

Targeting a globally competitive position

Targeting low capital intensity and operating cash costs within the lowest quartile of the industry cost curve

Well positioned to self-fund

Stage 1 can be substantially funded off the balance sheet

Community support program commenced

Commitment to providing positive and lasting benefits to local stakeholders

Long project life of +40 years

1.1 Mt LCE in Ore Reserves, and 4.9 Mt LCE Mineral Resources with significant upside potential

WHO ARE WE

GALAXY IS A LOW COST SPODUMENE PRODUCER, WITH EXPERIENCED MANAGEMENT, A STRONG FINANCIAL POSITION AND WITH TWO WORLD CLASS GROWTH PROJECTS.

ACTING TO LEVERAGE THESE ASSETS TO CREATE A SUSTAINABLE, LARGE SCALE, GLOBAL LITHIUM CHEMICALS BUSINESS TO POWER THE FUTURE.

VALUES

ACCOUNTABILITY
Delivery and ownership

COMMITMENT
Sustained investment in our goals

TEAMWORK
Strength in collaboration

RESPECT
Understanding and celebration of diversity

EMPOWERMENT
Encourage a dynamic working environment

INTEGRITY
Foremost in everything we do

GALAXY AT A GLANCE

As a leading global lithium producer, Galaxy is unlocking value from its world-class development portfolio to fuel the electrical revolution in power generation, energy storage and transportation.

Galaxy Resources Limited ("**Galaxy**" or the "**Company**") is an ASX-listed global lithium company with a strategic and diversified portfolio of assets.

Galaxy is a proven and experienced, low-cost producer of lithium concentrate as demonstrated by the success of the Mt Cattlin operations in Western Australia. Strong relationships have been established with lithium customers and end users, allowing Galaxy to target products to meet evolving specifications and new demand. 2019 was a record-breaking year at Mt Cattlin in terms of production volumes, operating costs and product quality.

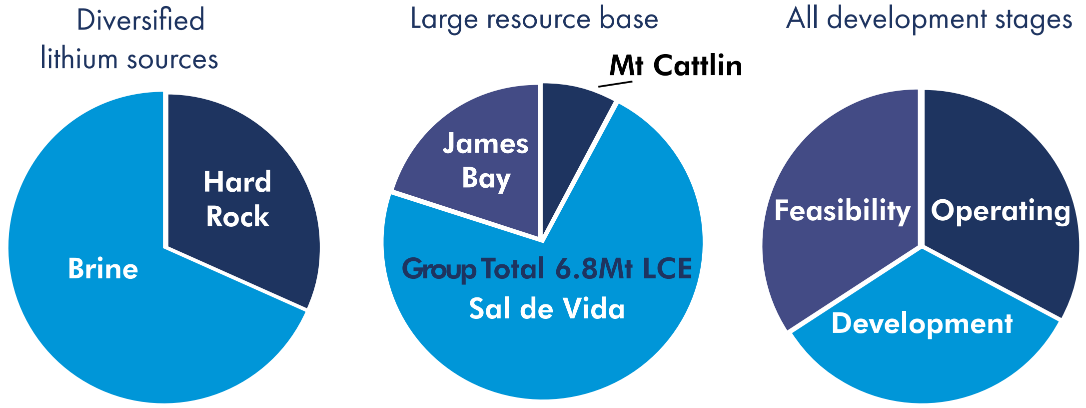
Galaxy is now embarking on a new growth chapter as it strives to build a diversified portfolio of high-quality lithium assets.

The company is focused on the development of its flagship project, Sal de Vida in Argentina. This project is one of the largest and highest quality undeveloped lithium brine assets in the world and Galaxy is planning a staged development approach with initial production of primary lithium carbonate to accelerate earnings realisation. Galaxy is targeting a globally competitive project with operating costs in the lowest quartile of the industry cost curve.

Galaxy is also progressing the early stage development of the James Bay project in Quebec Canada. This is a high grade, shallow hard rock lithium resource ideally located to supply into the North American and European electric vehicle revolution.

The global Mineral Resource across all three projects at 31 December 2019 is 6.79 Mt lithium carbonate equivalent ("**LCE**"), with Ore Reserves of 1.4Mt LCE.

GLOBAL LITHIUM BUSINESS



2019 HIGHLIGHTS

Optimised and simplified flowsheet
Fewer operating steps, lower capital intensity and technical risk

De-risked development strategy
Split into 3 stages to smooth capital expenditure, reduce development risk and simplify logistical and construction management

Permitted
Environmental Impact Assessment approved for current phase

Pilot ponds and plant construction advanced
Designed to validate and optimise key operating assumptions

In-country expertise
Appointment of highly experienced General Manager and a 100% local team.

Community support
Commitment to providing positive and lasting benefits to local stakeholders

Background

Galaxy's flagship project, the Sal de Vida project ("**Sal de Vida**"), is recognised as a tier 1 lithium brine asset due to its large scale, high grade, low impurity brine chemistry and ease of extraction.

Sal de Vida is wholly owned by Galaxy and is located on the Salar del Hombre Muerto in the Puna region of the Central Andean Plateau in the Catamarca Province, Argentina. Catamarca is a proven mining jurisdiction and Galaxy has strong relationships with key stakeholders who are also supportive of Sal de Vida's development.

The asset has a JORC-compliant Ore Reserve estimate of 1.1 million tonnes of retrievable lithium carbonate equivalent ("**LCE**") and 4.9 million tonnes of LCE in Mineral Resources, supporting a long life, low cost operation.

Until mid-2019 Galaxy envisaged development as a single staged project by employing a conventional evaporation flowsheet to produce battery grade lithium carbonate at site and potash as a by-product.

Galaxy has since made significant breakthroughs from both a technical and development perspective which will enhance project economics as the project progresses.

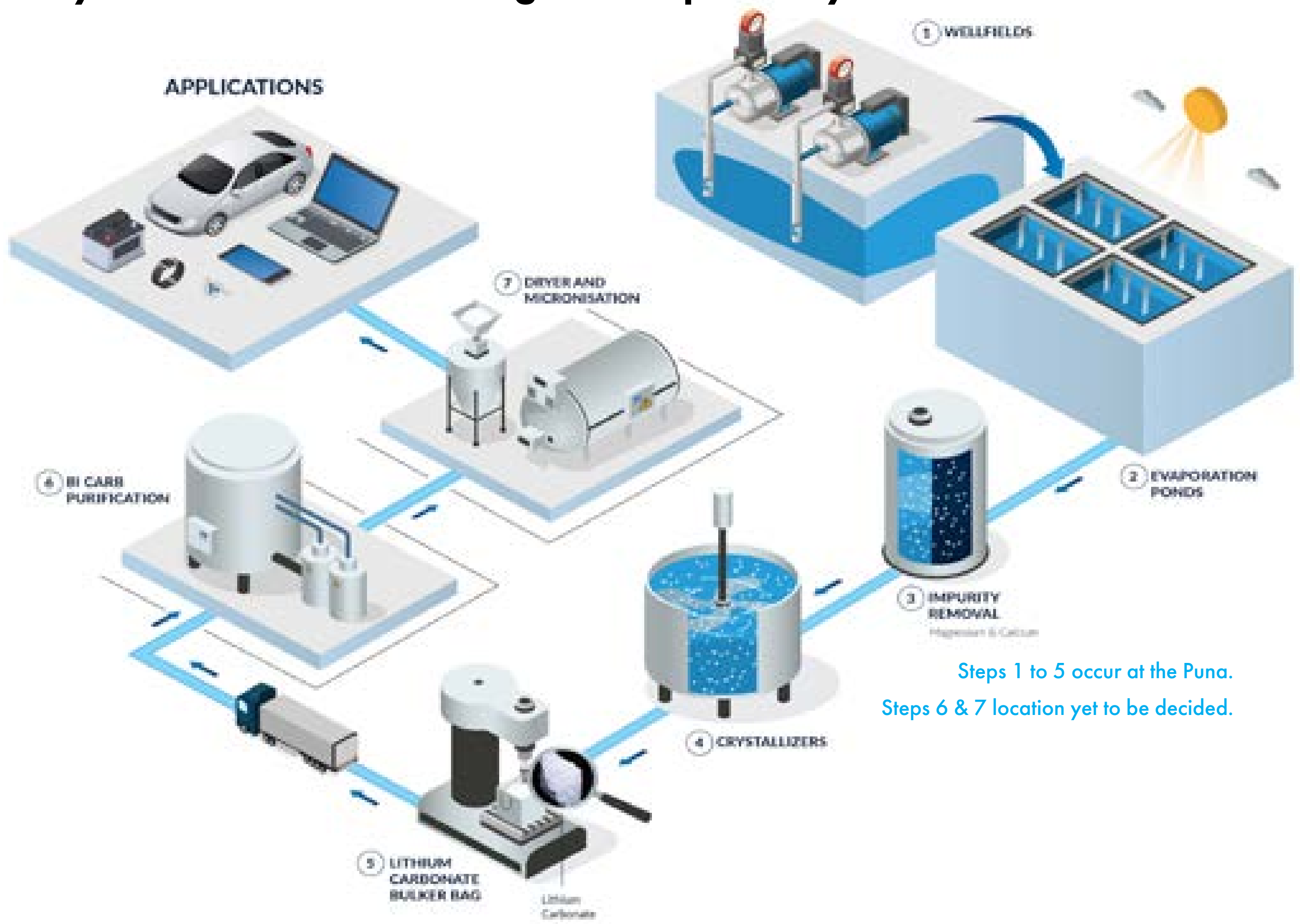
2019 Process Development

Galaxy undertook a comprehensive hydrometallurgical test work and evaluation program with the dual purpose of optimising the original defined evaporation flowsheet, as well as assessing new and emerging lithium extraction technologies. Under the scope of the program, five alternative process flowsheets were evaluated including two solvent extraction processes and one ion exchange process. Test work results of the alternate technologies and optimised conventional flowsheet were compared and benchmarked against the original, conventional evaporation flowsheet.

Within this test work program, Galaxy reassessed the fundamental chemistry of the process and the Salar del Hombre Muerto brine. The outcome of this program was the selection of an in-house developed evaporation flowsheet that optimises recovery, product quality, sustainability and capital and operating costs. The original evaporation flowsheet was greatly simplified with the removal of several process steps and the decoupling of onsite processing of primary lithium carbonate and purification. This will allow Sal de Vida primary lithium carbonate to be upgraded to battery grade at a separate offsite facility. Independent test work also comprehensively validated the ability of Sal de Vida brine to produce battery grade lithium carbonate.

Further optimisation of the flowsheet was enabled due to the removal of potash production. Removal allowed the brine concentration of the process plant feed to reduce to 1.2% Li (previously 2.1% Li) and in turn reduce the size of the evaporation ponds. These enhancements accelerate the evaporation cycle and increase the lithium recovery through the ponds.

Stylised flowsheet showing lithium pathway



Project Execution Strategy

In November 2019 Galaxy released an updated corporate strategy which outlined plans to advance Sal de Vida into execution in 2020. Development will be split into three separate stages, two stages of evaporation and production of primary grade lithium carbonate and a third stage to refine the primary carbonate into battery grade. The advantages of the staged approach include smoothing of the capital expenditure cycle, earlier realisation of revenue, reduced development risk and simplified construction and logistical management.

Stage One can be substantially funded internally and targets first production in 2022. Galaxy is committed to ensuring Sal de Vida's capital intensity and unit operating costs are highly competitive. Work programs are focussed on realising both objectives and arriving at a final investment decision on Stage One in H2 2020.

On delivery of Stage One and successful demonstration of all key operational, technical and commercial criteria, Galaxy intends to double production in Stage Two. This will entail duplication of Stage One evaporation and processing infrastructure and plant.

Stage Three will involve the construction of a downstream purification facility at a separate, offsite location to upgrade the primary grade product to battery-grade lithium carbonate. The brine quality and flowsheet selection also preserve future optionality to produce lithium hydroxide.

Overall, the Sal de Vida project has been greatly enhanced through the process technology breakthrough and through the adoption of a staged project execution strategy.

Project benefits realised in 2019

Fewer processing steps	Reduced capital intensity, higher recovery and lower technical risk
Lower final evaporation grade	Faster evaporation cycle, greatly reduced pond size, reduction of brine volume treated, lower losses of lithium to leakage and entrainment
Lower water, energy and reagent demand	Reduced environmental impact, less waste produced, lower operating cost
Decoupling of evaporation and purification steps	Less technical complexity at high elevation, reduced capital intensity for Stage One, earlier realisation of revenue
Staged project delivery	Smooth capital profile, lower development risk, lower market risk with smaller amount of product to introduce into the market, ability for Galaxy to largely self-fund Stage One

Site Activities

Construction of 15 hectares of demonstration evaporation ponds advanced during the year, with completion of earthworks allowing the commencement of pond lining and filling in early 2020. Engineering for the brine distribution system was also finalised.

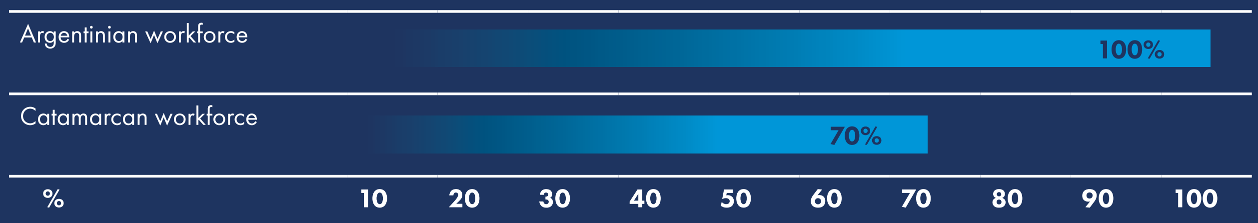
The installation of an upgraded onsite pilot plant occurred towards the end of the year. Commissioning of the pilot plant is expected to commence in Q1 2020 with first production of primary lithium carbonate thereafter. Piloting represents the next stage of process scale up and will be used for refinement of key operating assumptions and the commencement of product qualification with prospective customers. Pilot scale purification using the primary carbonate produced onsite will be completed at an offsite laboratory.

The Sal de Vida camp upgrade and expansion to a capacity of 116 beds neared completion towards the end of 2019 in preparation for early works and construction activities.

In June 2019, Guillermo Calo was appointed as General Manager – Argentina. Mr. Calo has extensive corporate management experience in the minerals industry in Argentina and more broadly in South America, with previous roles as the President of Barrick subsidiaries in Argentina and Executive Director of Barrick Argentina. Senior level appointments were made throughout 2019 and the management team was largely in place by year end. Galaxy has established a core management team proven in project execution.

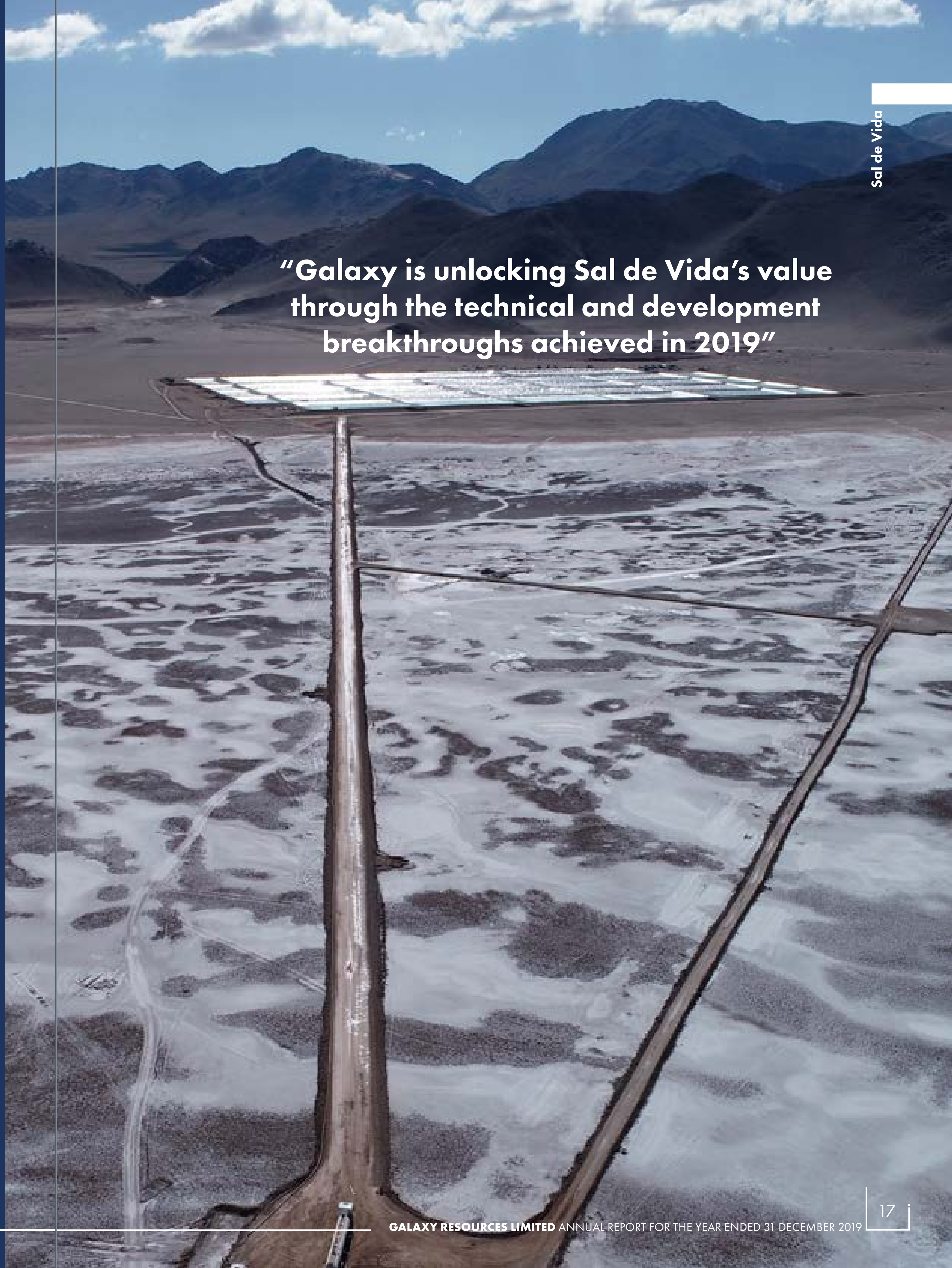
Community engagement

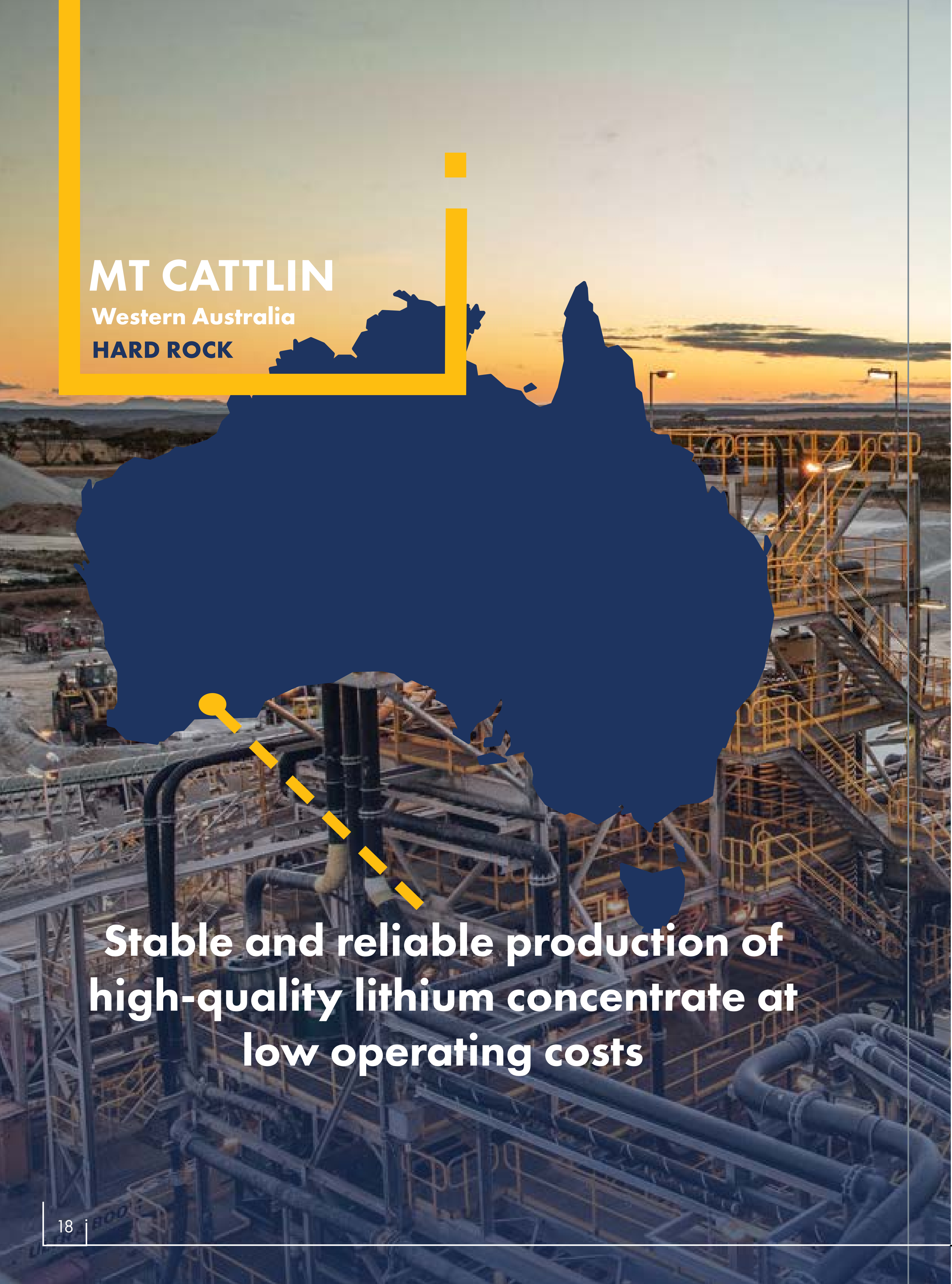
Galaxy is committed to regularly engaging with community stakeholders to provide positive, lasting benefits through employment opportunities, education and health initiatives. The Company aims to maximise local employment and procurement of local goods and services. Currently 100% of the workforce is Argentinian, with 70% of the workforce from Catamarca.



During the year Galaxy agreed with the Government of Catamarca to undertake a two-year program to support infrastructure projects for surrounding communities. The Company has committed to the expansion of two regional schools and the establishment of a first aid facility, all of which were well advanced by the end of the year.

In May 2019 Galaxy relocated its Argentinian office to Catamarca and later in the year opened a new community relations office in Antofagasta de la Sierra to facilitate communications with local stakeholders. Galaxy staff led a variety of social programs that were focused on education, upskilling local populations and providing greater access to healthcare.





2019 HIGHLIGHTS

Production volume: **191,570 dmt** 22% increase on 2018	Recovery: **55%** 10% increase on 2018
Final product grade: **5.93% Li_2O** 3% increase on 2018	Unit operating costs: **US$391 /t FOB** 13% decrease on 2018

Background

Since the recommencement of production in Q4 2016, the Mt Cattlin spodumene project ("**Mt Cattlin**") has continued to be a reliable, low-cost producer of high-quality lithium concentrate. This wholly owned project is located two kilometres north of the town of Ravensthorpe in Western Australia.

Conventional mining and processing techniques are used for Mt Cattlin with open-pit mining of a relatively flat-lying pegmatite ore body. Mining is carried out using excavator and truck operations, delivering ore to a crushing and dense medium separation ("**DMS**") gravity recovery circuit. Contractors are used for grade control drilling and earthmoving operations including drilling, blasting, and load and haul.

The Mt Cattlin operation produces a lithium concentrate (spodumene) product with up to a 6.0% Li_2O grade that is trucked to Esperance Port for export to an Asian customer base.

As at 31 December 2019, Mt Cattlin had a Mineral Resource of 14.6Mt at 1.29% Li_2O and an Ore Reserve of 8.2 Mt @ 1.29% Li_2O.

Operations

Operations at Mt Cattlin remain Lost Time Incident free since plant refurbishment and restart of production in 2016.

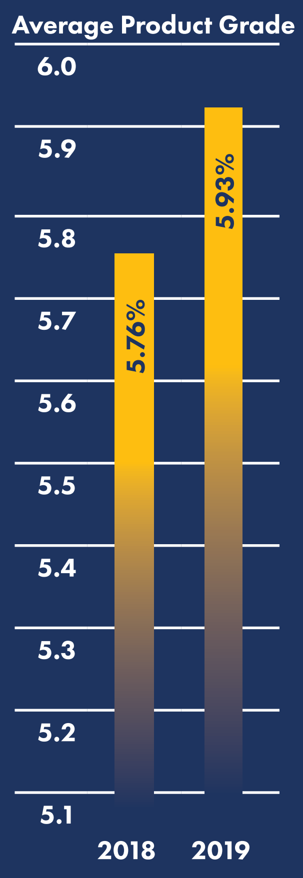
Following the installation and commissioning of plant optimisation upgrades in early 2019, Mt Cattlin produced consistently and reliably throughout the remainder of the year at nameplate capacity. The average unit operating cost achieved during FY 2019 confirms that Mt Cattlin is one of the world's lowest cost spodumene mines.

Total mined volumes for FY 2019 increased by 34% year-on-year ("**yoy**") following the implementation of several initiatives focused on improving mining efficiency and effectiveness. Following the transition of mining operations east of Floater Road, ore was sourced from multiple mining faces allowing for enhanced mine scheduling and unrestricted operations.

Other improvements included adjusted mine plans to enable shorter haul distances and increased bench sizing, improved blasting practices and greater utilisation of mobile equipment. This allowed for better waste management and greater synchronisation of mining rates and processing throughput.

FY 2019 was a record-breaking year in production with total lithium concentrate produced of 191,570 dry metric tonnes ("**dmt**"), a 22% increase yoy. Total throughput was also consistent between FY 2019 and FY 2018. Improved processing operations were supported by the installation and commissioning of the yield optimisation program ("**YOP**") circuits in Q1 2019. This consisted of three major upgrades to the ultra-fines DMS circuit, secondary floats re-liberation circuit and final product optical sorters.

Mt Cattlin successfully achieved an average grade of lithium sold at 5.93% Li_2O in FY 2019, a 3% increase yoy. This increase was largely at the request of our customers. While targeting a higher grade ordinarily comes at the expense of recovery, average recovery achieved for the year was 55%, a 10% increase yoy due to other improvements from the YOP.



A surplus of lithium concentrate production and increasing inventory levels in both Australia and China resulted in declining market prices in FY 2019. Over 132,000 dmt of lithium concentrate was sold in FY 2019, a 17% decline yoy. Market conditions unfavourably impacted the average realised selling price of US$502 / dmt for the full year.

Throughout the year Galaxy pursued several cost reduction initiatives, including the overhaul of almost all major service and supply contracts. The average FOB unit cash cost of lithium concentrate produced was US$391 / dmt for the year, a 13% reduction on FY 2018, reinforcing Mt Cattlin's market position as a low-cost producer of spodumene.

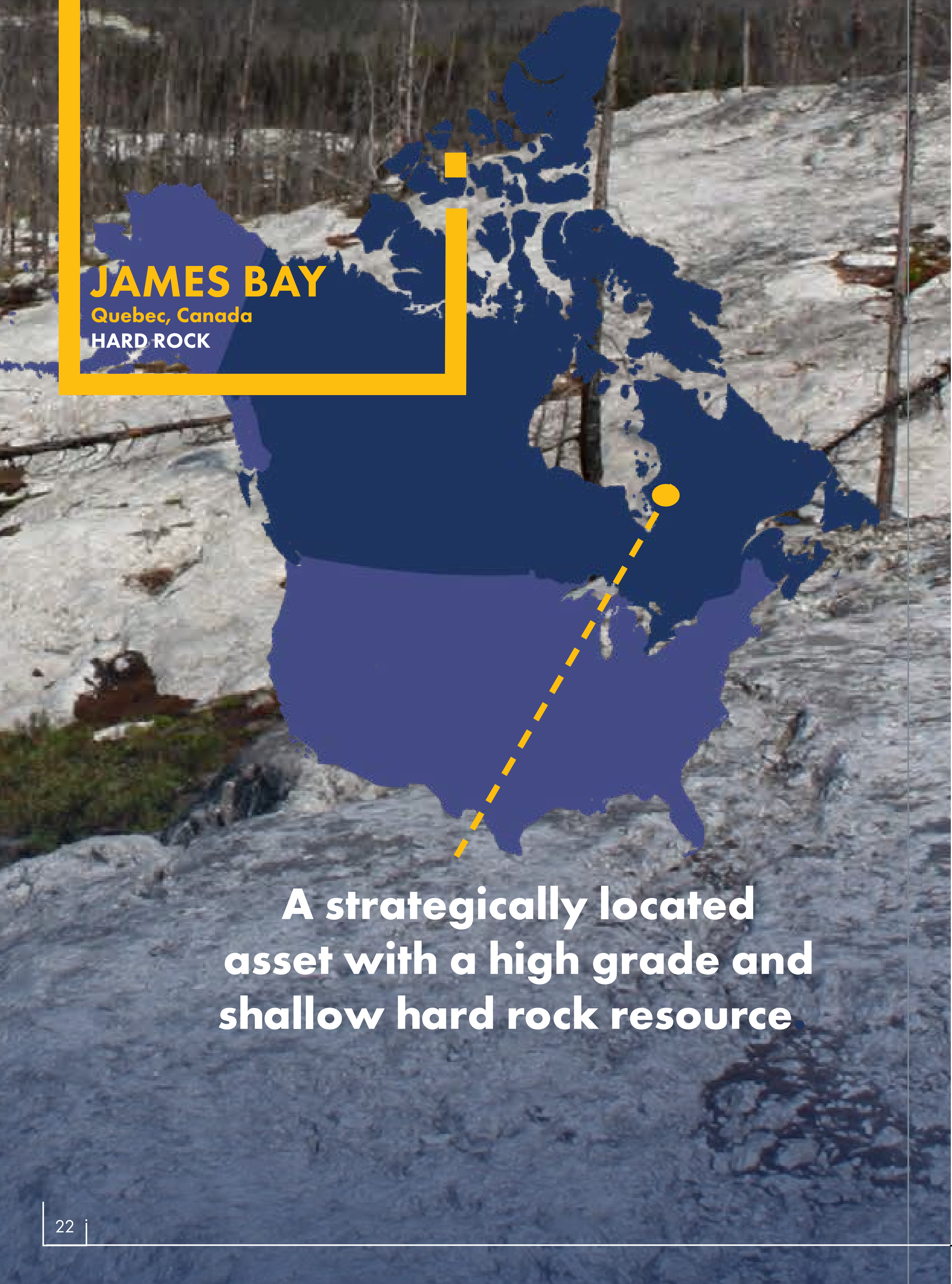
2020 Outlook

Galaxy has refined its strategy at Mt Cattlin to optimise operations and adapt to market conditions in the lithium sector. Strategic drivers for 2020 include prioritising value over volume to generate positive free cash flow and preserve resource life. As a result, lower operational settings are being applied in 2020 to complement product inventory levels and utilise stockpiled ore for processing. Positively, operations retain flexibility to ramp up swiftly in response to increased market demand.

A key part of this strategy is the commissioning of front-end optical sorters to upgrade stockpiled ore. This is expected to increase recoveries and maintain a final product grade while allowing mining activities to be scaled back.

Galaxy has established strong relationships with customers who continue to underpin sales volumes. Forecast production volumes for 2020, plus carried over inventory, are sufficient to meet Galaxy's contracted sales obligations to existing customers. Galaxy will also seek to expand and diversify its customer mix in 2020.

"2019 was a record-breaking year for production volumes, product quality and operating costs"



JAMES BAY

Quebec, Canada

HARD ROCK

A strategically located asset with a high grade and shallow hard rock resource.

2019 HIGHLIGHTS

Indicated Mineral Resource:

40.3Mt at 1.4% Li_2O

Close proximity to key local infrastructure and a low-cost hydro power supply

Pre-Development Agreement signed with the Cree Nations in March 2019

Background

The James Bay lithium pegmatite project ("**James Bay**") represents one of the highest quality development projects in North America and provides strong future expansion potential within Galaxy's portfolio. Galaxy aims to define and optimise an upstream mine and concentrator operation with an integrated downstream conversion facility. The wholly owned project is located in Quebec, Canada, approximately 100km east of James Bay and the community of Eastmain.

The project comprises five sets of claim blocks with a defined Mineral Resource of 40.3 Mt @1.40% Li_2O. The deposit is shallow, relatively flat-lying and outcropped at surface in several locations. It is comprised of a swarm of pegmatite dykes that form a discontinuous corridor that is approximately 2 kilometres long and 500 metres wide. Modelling completed indicates that the resource is amenable to open pit extraction.

The project is relatively close to local infrastructure including road access, accommodation, water, power and an existing airport.

Project activities

Project activities undertaken at James Bay during FY 2019 were focused on advancing ongoing feasibility works including integrated mining and concentration facilites ("**upstream**") and chemical processing/ conversion operations ("**downstream**"). Upstream work programs will be prioritised first to present a robust business case, before advancing the downstream program.

Feasibility work on the upstream mine and concentrator includes the completion of a test-work program confirming the suitability of a DMS only flowsheet, as well as key operating parameters and the process design criteria for the concentrator. Other key outputs include completion of the "pre-work' mandate by Hydro-Quebec confirming the availability of power required for the operation, a mine plan and preliminary design and costing of the concentrator and associated infrastructure.

Value engineering work on the upstream commenced during the year with the objective of reducing capital and operating costs. The work program will also address logistical and functional challenges of operating in a cold climate and remote location. In parallel, a site investigation program has been initiated to collect geotechnical information that will support both the value engineering and feasibility phase of the project.

Test work related to the downstream operation progressed throughout 2019 and into 2020.

Permitting activities related to the Environmental and Social Impact Assessment advanced throughout FY 2019 with both the federal and provincial authorities.

Galaxy entered into a Pre-Development Agreement with the Cree Nation Government and the Cree Nation of Eastmain in 2019. Following this milestone, discussions commenced with respect to an Impact and Benefits Agreement for the life of the project.

BOARD OF DIRECTORS

Martin Rowley
Independent Non-Executive Chairman

Anthony Tse
Executive Director

Alan Fitzpatrick
Non-Executive Director

Florencia Heredia
Non-Executive Director

Peter Bacchus
Non-Executive Director

John Turner
Non-Executive Director

Galaxy's Board is comprised of Independent Non-Executive Chairman – Martin Rowley, Executive Director - Anthony Tse and four Independent Non-Executive Directors. The Board's collective experience brings together high level, senior management expertise across a diverse industry base ranging from mining, technology, investment banking, construction, engineering and law. The Board's scope of experience offers Galaxy global cross-sector insights, strategic counsel and the executive leadership required to steer the Company towards further success.

KEY MANAGEMENT TEAM

The executive and management team is led by Chief Executive Officer Simon Hay. Mr Hay was appointed in July 2019 and brings a wealth of project development skills which will assist Galaxy in developing its world-class assets. Management has been further bolstered with the recruitment of General Manager - Argentina, Guillermo Calo, who brings significant in-country mining experience to the Sal de Vida project. A robust project management team has been assembled with the addition of mineral and project professionals experienced in both designing and operating brine plants in South America.

Simon Hay
Chief Executive Officer

Brian Talbot
Chief Operations Officer

Alan Rule
Chief Financial Officer

Nick Rowley
Director - Corporate Development

GOVERNANCE

Galaxy's Corporate Governance Statement discloses the extent to which the Company has followed the recommendations contained in the 3rd edition of the ASX Corporate Governance Principles and Recommendations for the period ended 31 December 2019.

The Corporate Governance Statement details Galaxy's corporate governance practices and can be viewed, together with copies of the charters and policies listed below, in the corporate governance section of the Company's website at www.gxy.com/about/corporate_governance.htm

Board of Directors

Mr Martin Rowley
(Independent Non-Executive Chairman)

Mr Anthony Tse
(Executive Director)

Mr Peter Bacchus
(Independent Non-Executive Director)

Mr John Turner
(Independent Non-Executive Director)

Ms Florencia Heredia
(Independent Non-Executive Director)

Mr Alan Fitzpatrick
(Independent Non-Executive Director)

Board Committees

Audit & Risk Committee

Remuneration & Nomination Committee

Health, Safety, Environment & Community Committee

Charters

Board Charter

Audit & Risk Committee Charter

Remuneration & Nomination Committee Charter

Health, Safety, Environment & Community Committee Charter

Key Corporate Governance Policies

Anti-Bribery & Corruption Policy
Continuous Disclosure Policy
Corporate Code of Conduct
Directors' Code of Conduct
Diversity Policy
Environmental Policy
Equal Employment Opportunity & Harassment Policy
Fitness for Work Policy
Health and Safety Policy
Human Rights Policy
Privacy Policy
Quality Policy
Risk Management Policy
Share Trading Policy
Whistleblowing Policy

SUSTAINABILITY

This is the first year that Galaxy has produced a stand-alone Sustainability Report. This voluntary disclosure is indicative of our endeavours to strengthen our sustainability performance and transparency. The report covers operations and projects in Australia, Canada and Argentina and details our sustainability approach, key material issues and performance for the 12-month period ended 31 December 2019.

The Sustainability Report complements, and should be read in conjunction with, Galaxy's Annual Report and Corporate Governance Statement for the year ended 31 December 2019. It has been prepared to align with the core option of the Global Reporting Initiative Standards.

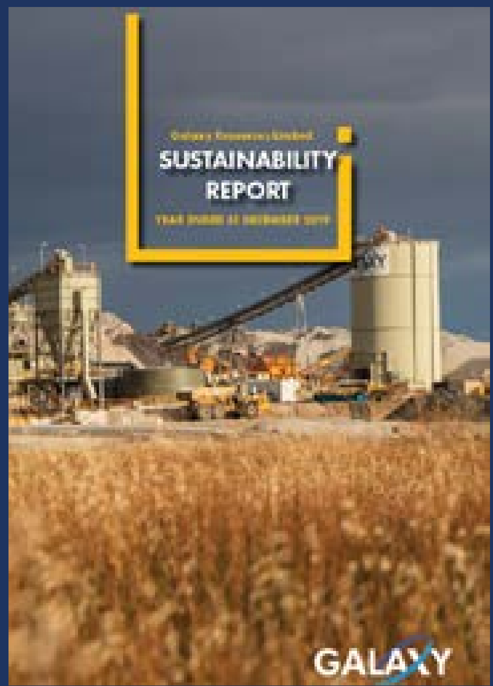
It is imperative that we characterise the overarching sustainability framework that establishes our sustainability vision. This framework allows for a logical and focused approach to managing and assuring our efforts.

We developed this framework by reviewing our key sustainability risks, our project portfolio, external frameworks and regulatory guidance.

The focus of our approach to sustainability is the incorporation of sustainability principles and practices throughout our business and operations.

PILLARS OF SUSTAINABILITY

- **Health & Safety**
- **People Focus**
- **Environmental Stewardship**
- **Social Responsibility**
- **Economic Responsibility & Governance**



Galaxy's 2019 Sustainability Report is available online at www.gxy.com

DIRECTORS' REPORT

Your Directors present their report on the consolidated financial statements of Galaxy Resources Limited and the entities it controlled ("**Group**") during the year ended 31 December 2019 ("**FY2019**").

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. 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.

Current Directorships: Forsys Metals Corp.
Past Directorships (last 3 years): First Quantum Minerals Ltd.

Anthony Tse

Executive Director

Mr Tse has over 20 years of corporate experience in numerous high-growth industries such as technology, media, and in resources 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.

Appointed Executive Director on 13 October 2010 and was appointed Managing Director on 11 June 2013. Stepped down as Managing Director and CEO on 1 July 2019.

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.

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.

Current Directorships: Gold Fields Limited, Kenmare Resources plc, 308 Services
Past Directorships (last 3 years): NordGold plc.

John Turner

Independent Non-Executive Director

Mr Turner is the leader of Fasken Martineau DuMoulin's Global Mining Group. Fasken Martineau DuMoulin is a full-service law firm with offices in Canada, the UK, South Africa and China.

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. He is also non-executive Chairman of GoGold Resources, a TSX-listed gold and silver mining company.

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.

Current Directorships: GoGold Resources Inc.
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 and is currently a senior partner of the leading Argentinian legal firm Allende & Brea. 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. The principal focus of Ms Heredia's work is natural resources, infrastructure and environmental law and finance law related to these areas, assisting multiple companies established in Argentina.

Ms Heredia completed her law degree with honors (summa cum laude) from Universidad Católica Argentina in 1991 and completed a Masters degree in Business Law with honors (summa cum laude) from Universidad Austral in 1995. She also has an honors 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.

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).

Appointed as a Director on 1 January 2018.

Current Directorships: Nil
Past Directorships (last 3 years): Nil

Alan Fitzpatrick

Independent Non-Executive Director

Mr Fitzpatrick has more than 45 years of technical mining industry experience in project and construction management, engineering, maintenance and plant operations, including acting as a project director for various major mining companies both locally and internationally. Prior to joining Galaxy, Mr Fitzpatrick held numerous senior positions with leading engineering and mining companies such as Bechtel, BHP, Gold Fields and Newmont Mining Corporation. His experience includes the role of Director Global Projects Engineering and Construction for Newmont, Project Director on Newmont's US$1.8 billion Batu Hijau project in Indonesia, Project Manager for Phase III of BHP's Escondida copper project expansion and Principal Consultant for the US$7 billion Las Bambas project in Peru.

Appointed as a Director on 16 January 2019.

Current Directorships: Nil
Past Directorships (last 3 years): Nil

Jian-Nan (George) Zhang

Independent Non-Executive Director
Appointed as a Director on 28 November 2013. Retired on 16 January 2019.

COMPANY SECRETARY

John Sanders

Mr Sanders holds a Bachelor of Laws with Honours from the University of Western Australia and is a graduate of the Australian Institute of Company Directors. Mr Sanders is a senior corporate lawyer with over 20 years' experience, having held legal and commercial roles in top tier law firms and international resource companies. He has a broad range of experience in corporate governance, international mergers and acquisitions, contract negotiation and implementing resource projects. Mr Sanders has previously worked for Herbert Smith Freehills, King and Wood Mallesons in Perth and Clifford Chance in London, as well as acting as senior in-house counsel at Woodside Energy and Hess Exploration Australia.

Appointed as Company Secretary on 11 July 2017.

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 Members	Audit and Risk Committee Meetings	Remuneration and Nomination Committee Meetings	Health, Safety, Environment and Community Committee Meetings
Number of Meetings Held:	6	3	6	2
Number of Meetings Attended (Eligible to Attend):				
Martin Rowley	6 (6)	3 (3)	6 (6)	n/a
Anthony Tse	6 (6)	n/a	n/a	n/a
Peter Bacchus	6 (6)	3 (3)	n/a	1 (2)
John Turner	6 (6)	3 (3)	6 (6)	n/a
Florencia Heredia	6 (6)	n/a	6 (6)	2 (2)
Alan Fitzpatrick	6 (6)	n/a	n/a	2 (2)

Committee membership

As at the date of this report, the Company had an Audit and Risk Committee, a Remuneration and Nomination Committee and a Health, Safety, Environment and Community Committee of the Board of Directors.

Members acting on the committees of the Board during the year were:

Audit and Risk	Remuneration and Nomination	Health, Safety, Environment and Community
Peter Bacchus - *Chair*	John Turner - *Chair*	Florencia Heredia - *Chair*
Martin Rowley	Martin Rowley	Peter Bacchus
John Turner	Florencia Heredia	Alan Fitzpatrick

DIRECTORS' INTERESTS IN THE SHARES, RIGHTS AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the Directors in the rights and options of the Company were unchanged from the holdings as at 31 December 2019 as disclosed in the Remuneration Report. The Directors' interests in the shares of the Company at the date of this report are set out in the table below:

Name	Number of Ordinary Shares
Peter Bacchus	50,182
Alan Fitzpatrick	-
Florencia Heredia	-
Martin Rowley	4,569,346
Anthony Tse	6,562,043
John Turner	115,000

PRINCIPAL ACTIVITIES

The principal activities of the entities within the Group are:

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

There have been no significant changes to the nature of these activities during the year.

DIVIDENDS FOR THE PERIOD

No dividends have been paid by the Company during the year ended 31 December 2019, nor have the Directors recommended that any dividends be paid.

OPERATING RESULTS FOR THE PERIOD

Financial Overview Summary

	2019 US$'000	2018 US$'000	Change %
Revenue	69,514	153,929	↓ 55%
Cost of Sales	(80,897)	(128,506)	↓ 37%
Gain on sale (pre tax) - POSCO transaction	-	223,025	n/a
Inventory write down	(23,637)	-	n/a
Impairment of Property, Plant & Equipment and Right of Use Assets	(188,905)	-	n/a
EBITDA – excluding POSCO transaction (i)	6,816	58,145	↓ 88%
EBITDA – including POSCO transaction (i)	6,816	281,170	↓ 98%
D&A	(35,172)	(45,639)	↓ 23%
Net Profit / (loss) after tax	(283,742)	150,223	↓ 289%
Cash inflow / (outflow) from Operating Activities	(97,163)	57,767	↓ 268%
Cash inflow / (outflow) from Investing Activities	184,580	(77,117)	↑ 339%
Cash inflow / (outflow) from Financing Activities	(9,716)	(675)	↓ 1,339%
Net cash inflow / (outflow)	77,701	(20,025)	↑ 488%
Closing Cash & Cash Equivalents	100,907	24,755	↑ 308%

i. *Refer to note 1 – Segment Information*

Profit & Loss

The Group's loss after tax for the year ended 31 December 2019 was US$283.7 million (FY2018: profit US$150.2 million). The loss after tax in FY2019 includes a write down of inventory at Mt Cattlin of US$23.6 million (FY2018: nil) (note 9), an impairment of Property, Plant & Equipment and Right of Use Assets at Mt Cattlin of US$188.9 million (FY2018: nil) (note 12 and 16) and a derecognition of deferred tax assets of US$33.3 million (FY2018: nil) (note 17). Excluding these items, the Group loss before tax for the year to 31 December 2019 was US$18.9 million primarily due to lower revenue.
Revenue from operations decreased 55% to US$69.5 million compared to the prior financial year, driven by lower spodumene prices and a 17% decrease in volume sold to 132,687 dmt (FY2018:159,255 dmt). The average realised selling price for spodumene achieved in FY2019 was US$502/dmt, a 46% reduction on FY2018 (US$927/dmt).

The profit after tax in FY2018 included a gain on sale of US$223.0 million (pre tax) and US$146.8 million (after tax) resulting from the sale of the northern tenement package in the Salar del Hombre Muerto to POSCO ("**POSCO transaction**").

Cost of sales decreased by 37% in FY2019 to US$80.9 million (FY2018:US$128.5 million) due to inventory impairment at 30 June 2019, lower sales volume and lower depreciation and amortisation of US$35.2 million (FY2018:US$45.6 million). The lower depreciation and amortisation resulted from the impairment in Property, Plant and Equipment at Mt Cattlin incurred for the half year ended 30 June 2019.

The Group generated EBITDA from operations of US$6.8 million for FY2019 (FY2018: US$58.1 million). The cash margin from sales decreased primarily due to a 46% reduction in the average realised selling price of spodumene. This was marginally offset by a decrease of 4% in unit cost of goods sold (excluding royalties and selling costs) from US$411/dmt to US$393/dmt sold resulting from increased production volume.

Cash Flow

The Group's cash outflow from operating activities for FY2019 was US$97.2 million (FY2018: cash in flow US$57.8 million). The reduction was driven by a reduction in receipts from customers of 59% due to a 17% decrease in volumes of spodumene tonnes sold and a 46% reduction in the realised spodumene price. In addition, income tax of U$54.4 million was paid in Argentina in FY2019 due to the POSCO transaction in 2018 and dividend withholding tax of US$7.5M was paid in Argentina.

The differential between production and sales volumes in FY2019 resulted in an increase of closing spodumene inventory on hand. At 31 December 2019, Galaxy had approx. 65,000 dmt of final spodumene product in inventory. This inventory build-up reduced cash flow from operations in FY2019 however this working capital build up is expected to be realised in FY2020 as stockpiled inventory is sold.

Net cash inflows from investing activities in FY2019 were US$184.6 million, an increase of US$261.7 million compared to FY2018 primarily due to receipt of proceeds from the POSCO Transaction of US$271.6 million (note 13(a)). Major cash outflows related to investing activities were US$12.6 million in payments for property, plant and equipment, US$17.5 million

Cash Flow (Continued)

in exploration and evaluation costs at Mt Cattlin, Sal de Vida and James Bay, and US$68.5 million in payments for financial assets. Investing activities also included US$10.7 million in interest income received.

The Group had a net financing cash outflow of US$9.7 million for FY2019, primarily comprising the principle elements of lease payments of US$7.5 million.

At 31 December 2019 the Company had closing cash of US$100.9 million together with Financial Assets of US$42.3 million (note 11).

Balance Sheet

Current assets at 31 December 2019 decreased by US$143.7 million to US$177.9 million, compared with 31 December 2018, primarily due to the payment of tax relating to the POSCO Transaction of US$54.4 million, payment of withholding tax in Argentina of US$7.5 million, purchase of investments of US$18.4 million, Capex of US$28.5 million (including capital works and exploration and evaluation costs at Mt Cattlin, Sal de Vida and James Bay) and write down of Inventory of US$23.6 million.

Non-current assets decreased by US$207.4 million to US$138.2 million at 31 December 2019, primarily due to the impairment of Property, Plant and Equipment and Right of Use Assets at Mt Cattlin of US$188.9 million and derecognition of deferred tax assets of US$33.3 million.

Current liabilities decreased by US$56.1 million to US$52.4 million at 31 December 2019, primarily due to the payment of the tax liability of US$54.4 million arising from the POSCO transaction.

The Group ended the period with no outstanding borrowings or debt liabilities.

REVIEW OF OPERATIONS

Mt Cattlin Operations

Background

Galaxy wholly owns the Mt Cattlin spodumene project ("**Mt Cattlin**"), located two kilometres north of the town of Ravensthorpe in Western Australia. The Mt Cattlin operation produces a lithium concentrate (spodumene) product with a 6.0% Li2O grade that is trucked to Esperance for export to an Asian customer base.

Mt Cattlin operations include open-pit mining of a relatively flat-lying pegmatite ore body. Mining is carried out using excavator and truck operations, delivering ore 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, and load and haul).

Operations at Mt Cattlin remain Lost Time Incident ("**LTI**") free since refurbishment and restart of production in 2017.

Following the installation and commissioning of plant optimisation upgrades in early 2019, FY2019 represented a record-breaking year for the Mt Cattlin operation on various operating metrics, including production volume, final product grade and unit operating costs. Consistent operational execution was demonstrated through stable operations at nameplate capacity, achieving an improved final product quality (6.0% Li_2O) reliably and cost effectively. The average unit operating cost achieved at Mt Cattlin in FY2019 confirms the asset is one of the lowest cost spodumene producing assets globally.

Mt Cattlin Operations (continued)

A summary of key production and sales statistics achieved at Mt Cattlin during the year are:

	Units	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	FY 2018		YoY %
Mining									
Mined Volume	bcm	1,168,120	1,178,925	1,186,040	1,092,259	**4,625,344**	3,458,010	↑	34%
Ore mined	wmt	437,932	379,187	467,594	505,336	**1,790,049**	1,777,720	↑	1%
Grade of ore mined	%	1.03	1.39	1.19	1.34	**1.24**	1.00	↑	0.24%
Processing and sales									
Ore processed	wmt	409,849	426,846	454,526	404,148	**1,695,369**	1,703,503	↓	1%
Grade of ore processed	%	1.15	1.40	1.18	1.2	**1.23**	1.08	↑	0.15%
Mass Yield	%	10.5	13.5	11.2	10.9	**11.5**	9.6	↑	1.9
Recovery	%	51	58	57	54	**55**	50	↑	5
Concentrate produced	dmt	41,874	56,460	50,014	43,222	**191,570**	156,689	↑	22%
Concentrate sold	dmt	15,192	29,439	58,278	29,778	**132,687**	159,255	↓	17%
Grade of concentrate sold	%	5.60	5.90	6.00	6.00	**5.93**	5.76	↑	0.17
Financial									
Realised selling price [i]	US$/dmt	572	591	457	465	**502**	927	↓	46%
Selling and royalty costs	US$/dmt	86	75	97	57	**82**	92	↓	11%
Cash cost per tonne sold [ii]	US$/dmt	458	405	383	369	**393**	411	↓	4%
Cash margin [iii]	US$/dmt	28	111	(23)	39	**27**	425	↓	94%
Cash cost per tonne produced [iv]	US$/dmt	454	337	387	406	**391**	451	↓	13%

i. *Realised Selling price per tonne of Concentrate Sold is the FOB Esperance price excluding shipping costs.*

ii. *Cash costs per tonne sold are disclosed in note 2 and are divided by tonnes of Concentrate Sold, after net inventory adjustments, to arrive at the above metrics.*

iii. *Cash margin per tonne of Concentrate Sold is calculated as Realised Selling price less Selling and Royalty costs (note 2) less cash cost per tonne sold. It is a non-IFRS measure that has been included to assist investors to better understand the performance of the business, and where included in this report, has not been subject to audit.*

iv. *Cash cost per tonne produced is calculated as total cash costs (FOB Esperance price excluding shipping costs) divided by tonnes produced.*

Total mined volumes for FY2019 increased by 34% year-on-year ("**yoy**") following the implementation of several initiatives focused on improving mining efficiency and effectiveness. Following the transition of mining operations east of Floater Road ore was sourced from multiple mining faces, allowing for enhanced mine scheduling and unrestricted operations. Other improvements included shorter haul distances, increased bench sizing, improved blasting practices and greater utilisation of mobile equipment allowing for better waste management and greater synchronisation of mining rates and processing throughput. Consequently, unit mining costs decreased by 9% yoy on a unit basis.

FY2019 was a record-breaking year regarding Mt Cattlin production with total lithium concentrate produced of 191,569 dry metric tonnes ("**dmt**") and a 22% increase yoy. Total ore processed volume was consistent between FY2019 and FY2018. Improved processing operations were supported by the installation and commissioning of the yield optimisation program ("**YOP**") circuits (ultra-fines DMS circuit, secondary floats re-liberation circuit and final product optical sorter) in Q1 2019. All major capital expansion works planned for Mt Cattlin are now complete.

In response to customer demand, Mt Cattlin operations had a major focus on improving final product quality in FY2019. The average grade of lithium sold was 5.93% Li_2O compared to 5.76% Li_2O in FY2018. Targeting a higher quality product of 5.9-6.0% Li_2O compared to the previous target of 5.7-5.8% Li_2O did come at a trade-off to overall plant recovery. Average recovery achieved for the financial year of 54% was an 8% increase yoy, representing a source of further optimisation in FY2020.

A surplus of lithium concentrate production and increasing inventory levels in both Australia and China resulted in declining market conditions in FY2019. Total lithium concentrate sold in FY2019 of 132,444 dmt was a 17% decline yoy. A total of

Mt Cattlin Operations (continued)

8 shipments were delivered to Chinese customers for a total of 117,444 dmt. A further 15,000 dmt was sold in Q4 2019, however, the customer elected to delay delivery of this shipment until Q1 2020 to avoid the delivery landing in China at Chinese New Year. 65% of the total purchase price for this sale was paid, with the other 35% to be paid upon delivery.

Galaxy has established strong relationships with reliable customers that continue to underpin sales volumes in 2020. Galaxy has also sought to expand and diversify its customer mix in 2020.

Despite the weaker market condition for lithium concentrate in FY2019 Galaxy remained vigilant in ensuring that operating cash margins at Mt Cattlin remained positive. Consequently, operations were the focus of significant cost reduction initiatives, including the overhaul of almost all major contracts. The FOB unit cash cost of lithium concentrate produced was US$391/dmt, a 13% reduction on FY2018, reinforcing Mt Cattlin's market position as a low-cost producer of spodumene.

During Q4 2019, Galaxy refined its 2020 strategy at Mt Cattlin to optimise operations in response to the market conditions in the lithium sector. The strategic drivers are to prioritise value over volume, generate positive free cash flow, preserve resource life and to maintain balance sheet capacity for advancement of the Company's development portfolio. As a result, mining operations have been scaled back by approximately 60% in FY2020.

Stockpiled contaminated ore will be co-treated through the process plant, through the implementation of the front-end optical sorters. Mining costs associated with the contaminated ore stockpile have already been expensed, further supporting planned unit operating costs. Approximately 40% of throughput is expected to be sourced from the contaminated ore stockpile in FY2020.

Targeted lithium concentrate production volume for FY2020 is between 90,000 – 105,000 dmt following the restart of operations in February 2020. This forecast production plus existing product stockpiles at 31 December 2019 of approximately 65,000 dmt are sufficient to meet Galaxy's contracted obligations to existing customers in FY2020, as well as indicated demand from other potential new customers.

The mining and operational plan retains the flexibility to promptly ramp up production in response to market improvements or as required by Galaxy's customers.

Exploration, Resources and Reserves

Throughout FY2019 exploration works primarily consisted of drilling in support of works approvals, sterilisation, mine-planning and resource definition, as well as geochemical and geophysical programs focused on greenfields target identification.

In Q1 2019 a total of 77 new geophysical profiles totalling 61 km2 were generated across two zones (50 and 51) near the Mt Cattlin Mine. Deep ground penetrating radar identified one new blind pegmatite target each within tenements E74/400, E74/399 and E74/406, respectively. These targets confirmed independent rework of public airborne geophysical datasets. Three other new targets were identified on exploration tenements E74/406 and E74/399.

A total of 23 RC drill holes were completed in Q2 2019, with 12 holes drilled within the 2 South East pit for resource definition purposes and the remainder being targeted exploration holes.

In Q4 2019 exploration at Mt Cattlin consisted of high resolution airborne electromagnetic surveying over parts of tenements E74/400, E74/401 and E74/589. Once results are received these will be integrated into ongoing regional target generation. These will assist in the finalisation of an updated exploration plan for FY 2020.

Sal De Vida Project

Background

The Sal de Vida lithium brine project ("**Sal de Vida**"), wholly owned by Galaxy, is located on the Salar del Hombre Muerto in the Puna region of the Central Andean Plateau in northwest Argentina. Sal de Vida is Galaxy's flagship project, representing one of the world's largest and highest quality undeveloped lithium brine deposits with significant expansion potential.

The combination of superior brine chemistry, high lithium grade and the large volume of extractable brine distinguishes Sal de Vida as a world-class lithium development asset. The asset has a 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 supporting a long life, low cost project.

Sustainability

Galaxy agreed a two-year corporate social responsibility program with the Government of Catamarca in FY2019. This program will act to support the surrounding communities of Sal de Vida. The Company committed to the expansion of two regional schools and the establishment of a medical clinic at the nearest village to the site. Preliminary works for the two school buildings were finalised and 80% of the excavation completed in FY2019.

Sal De Vida Project (continued)

Additional work undertaken included the opening of a new community relations office in Antofagasta de la Sierra to facilitate communications with local stakeholders. Galaxy undertook a variety of social programs in FY2019 focused on education and training, upskilling local populations and providing greater access to healthcare.

Project development

Given the highly strategic nature of the Sal de Vida asset, Galaxy was focused on ensuring disciplined and responsible development of the project throughout FY2019. Efforts were predominantly focused on process development through a comprehensive hydrometallurgical testwork program to define the final process flowsheet for detailed engineering. Under the scope of the testwork program, five alternative process flowsheets were evaluated, including the originally defined base case flowsheet and subsequent optimisations of such, as well as several alternative processing technologies including two solvent extraction processes and one ion exchange process.

The outcome of this program was the selection of an in-house developed, optimised flowsheet. The original base case flowsheet was simplified and de-risked with the removal of several process steps from the overall flowsheet and the decoupling of onsite processing of primary lithium carbonate and purification processing, to upgrade to battery grade, which will be undertaken at a separate offsite facility. Independent test work completed comprehensively validated the ability of Sal de Vida brine to produce battery grade lithium carbonate. The brine will have a shorter residence time in evaporation ponds reducing the size of the ponds and the risk of weather events impacting production.

Potash by-product production was removed from the flowsheet design allowing for further optimisation through a reduction in the final brine concentration for process plant feed to 1.2% Li (previously 2.1% Li). This allows for a reduction in the size of the evaporation ponds required, accelerates the evaporation cycle and increases lithium recovery through the ponds. Overall lithium recovery is further improved due to the reduced number of process steps in the flowsheet.

Construction of the 15 Ha of demonstration evaporation ponds is underway with earthworks completed in FY2019. Lining of the ponds commenced subsequent to the year-end. Engineering for the pumping and piping of brine to the pilot ponds was also finalised in FY2019.

The assembly and installation of onsite pilot plant upgrades commenced in late Q4 2019 and final services installation is expected to be completed in Q1 2020. Commissioning of the pilot plant is expected to commence in late Q1 2020 with first production of primary lithium carbonate thereafter. Piloting represents the next stage of process scale up and will be used for refinement of key operating assumptions and the commencement of product qualification with prospective offtakers. Pilot scale purification using the primary carbonate produced onsite will be completed at an offsite laboratory.

In preparation for the project early works and construction activities planned for 2020 the Sal de Vida camp was upgraded and expanded to a capacity of over 116 beds, with associated services and infrastructure.

Execution strategy

In November 2019 Galaxy released an updated Corporate Strategy and Project Update detailing the Company's plans to advance Sal de Vida into execution in 2020.

Galaxy outlined that a staged, scalable and lower risk project execution strategy would be adopted for advancement of the project. Galaxy plans to stage Sal de Vida construction into 2-3 separate stages with the first stage targeting the production of approximately 10,000 tpa of primary grade lithium carbonate product at site. This development approach will allow for the smoothing of the capital expenditure cycle, lower up front capital, reduced development risk and simplify construction and logistical management.

The lower capital outlay in the first stage will enable Galaxy to largely self-fund stage 1.

The product marketing strategy considers that initially Galaxy will seek to sell primary lithium carbonate to existing purification customers. In the longer term it is Galaxy's intention to build a downstream purification facility that will upgrade the product to battery-grade lithium carbonate for sale.

Operational execution of stage one combined with commercialisation of primary carbonate will be used to prove up execution capability and accelerate earnings realisation. This will act to enhance capital availability for expansion and reduce execution risk associated with the first phase of the project.

James Bay

Background

Wholly owned by Galaxy, the James Bay lithium pegmatite project ("**James Bay**") is located in Quebec, Canada, approximately 100km east of Eastmain. James Bay represents one of the highest quality development projects in North America and provides strong future expansion potential within Galaxy's portfolio.

The project comprises five sets of claim blocks with a defined mineral resource estimate of 40.3 Mt @1.40% Li_2O. The high-grade deposit is shallow and relatively flat-lying, outcropping at surface in several locations. Comprising one swarm of pegmatite dykes that form a discontinuous corridor approximately 4 kilometres long and 300 metres wide, modelling completed indicates that the resource is amenable to open pit extraction.

The proximity of the project to local infrastructure, including accessible road networks, accommodation, water and power supply, as well as the low cost of electricity in the region represent natural advantages of the project.

Project activities

Project activities undertaken at James Bay during FY2019 were focused around advancing ongoing feasibility works encompassing an integrated mining and concentration ("**upstream**") and chemical processing operation ("**downstream**").

Feasibility work on a 2.0Mtpa upstream concentrator included the completion of a testwork program confirming the suitability of a DMS only flowsheet, as well as key operating parameters and the process design criteria for the concentrator over the full project life. Other key outputs included completion of the "pre-work' mandate by Hydro-Quebec confirming the availability of power required for the operation, a mine plan and preliminary design and costings of the concentrator and associated infrastructure.

Value engineering work on the upstream component of the project is underway with the objective to identify capital and operating cost reductions. In parallel, a site investigation program has commenced to collect key geotechnical information that will support both the value engineering and the detailed engineering phase.

Testwork related to the downstream operation was progressed throughout FY2019 and continues in FY2020. A global downstream location study was also completed in FY2019.

Permitting works related to the ESIA were advanced throughout FY2019 with both the federal and provincial authorities.

Galaxy entered into a Pre-Development Agreement ("**PDA**") with the Grand Council of the Cree, the Cree Nation Government and the Cree Nation of Eastmain in FY2019. Following this milestone, negotiations commenced to finalise an Impact and Benefit Agreement ("**IBA**"), the binding extension of the PDA.

Corporate

Alita Resources Limited

In May 2019, Galaxy subscribed $15.6 million to acquire shares in Alita Resources Limited ("**Alita**"), increasing its holding in Alita to 12.22% at a cost of $31.1 million.

In August 2019, Galaxy purchased from a syndicate of lenders a senior secured loan facility of US$ 31.1 million in Alita ("**Facility**"). On 28 August 2019, the Directors of Alita resolved to appoint KordaMentha ("**administrators**") as administrators of the company. Following this appointment, Galaxy appointed KPMG as receivers and managers ("**receivers**") of Alita and certain of its subsidiaries pursuant to the Facility. Following acquisition of the Facility, extensive due diligence on the Alita assets and liabilities, including the Bald Hill mine was undertaken by Galaxy. Galaxy proposed a Deed of Company Arrangements ("**DOCA**") to the administrators of Alita, but a competing third-party proposal provided the funding required to repay the Facility. Galaxy was not prepared to amend the offer terms included in its proposed DOCA and as a result, the administrators repaid the Facility in full using funds from the third party.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs other than those listed in the review of operations above.

EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matters 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 23 January 2020, the Company issued a total of 7,528,036 performance rights to employees under the employee incentive scheme

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company and Group intend to continue to unlock and realise 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 Board has established a Health, Safety, Environment and Community ("**HSEC**") Committee which is tasked with overseeing HSEC risks and compliance within the Group.

The Group holds environmental licenses to regulate its mining, exploration and chemicals activities issued by the relevant environmental protection authorities of the various countries in which it operates. These licenses include conditions and regulations 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.

The Group is registered under the National Greenhouse and Energy Reporting Act, under which it is required to report energy consumption and greenhouse gas emissions for its Australian facilities for the 12 months ended 30 June and future periods. The Group has established data collection systems and processes to meet these requirements.

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into Good Faith, Protection and Access Deed with each of the Directors and Officers which will indemnify them against liabilities incurred to a third party (not being the Company or a related body corporate of the Company) as a director or officer of the Company or a related body corporate of the Company where the liability does not arise out of conduct involving a lack of good faith.

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.

The Company has, during or since the end of the financial year, paid an insurance premium in respect of an insurance policy for the benefit of the Directors, secretaries, executive officers and employees of the Company and any related bodies corporate as defined in the insurance policy. The insurance grants indemnity against liabilities permitted to be indemnified by the Company under Section 199B of the Corporations Act 2001. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium.

SHARE OPTIONS

Unissued shares

At the date of this report, the Company has the following unissued shares under options:

Maturity Date	Exercise Price	Number Outstanding
14 June 2020 (unlisted)	A$2.78	13,300,000
1 May 2021 (unlisted)	A$3.66	500,000
Total		**13,800,000**

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

Details of options granted to Directors and other key management personnel during the year are set out in the Remuneration Report.

SHARE APPRECIATION RIGHTS

During the financial year, share appreciation rights ("**SARs**") to acquire 2,292,437 fully paid ordinary shares in Galaxy Resources Limited at a weighted average exercise price of A$0.867 per share were exercised.

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:

NON-AUDIT SERVICES

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk 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 25.

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 21 and forms part of the Directors' Report for the year ended 31 December 2019.

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.

REMUNERATION REPORT (AUDITED)

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

- Rewards Strategy
- Compensation
- Service agreements
- Details of remuneration
- Share-based compensation
- 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 2001.

KEY MANAGEMENT PERSONNEL

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. The key management personnel of the Group during the year ended 31 December 2019 are set out below:

Name	Role	Period of employment
Non-Executive Directors		
Peter Bacchus	Non-Executive Director	Full Year
Alan Fitzpatrick	Non-Executive Director	Appointed 16 Jan 2019
Florencia Heredia	Non-Executive Director	Full Year
Martin Rowley	Non-Executive Director	Full Year
John Turner	Non-Executive Director	Full Year
Jian-Nan Zhang	Non-Executive Director	Retired 16 Jan 2019
Executive Directors		
Anthony Tse	Managing Director and Chief Executive Officer ("**CEO**")	Retired 30 June 2019
	Executive Director	From 1 July 2019
Other KMP		
Simon Hay	Chief Executive Officer ("**CEO**")	Appointed 1 July 2019
Nicholas Rowley	Director Corporate Development	Full year
Alan Rule	Chief Financial Officer ("**CFO**")	Full year
Brian Talbot	Executive -Australian Operations ("**EAO**")	Full year

REWARDS STRATEGY

Overview

The Total Rewards Strategy is underpinned by a core philosophy about the kind of rewards and environment that Galaxy wants to create for all employees. This philosophy then influences the principles required for the framework.

The table below explains the differences between the philosophy and principles:

TOTAL REWARDS PHILOSOPHY	TOTAL REWARDS PRINCIPLES

• An overarching statement around Galaxy's philosophy for all forms of reward
• Underpinned by guiding principles on how pay and all forms of reward are aligned to business strategy in order to attract and retain the right people and to motivate desired behaviours and performance
• Rewards can be characterised by:
  • **Extrinsic:** Rewards that have a quantified monetary value
  • **Intrinsic:** Rewards that have value to employees that cannot be quantified in terms of monetary value
	• A plan of action designed to achieve desired reward philosophy
	• The full range of intrinsic and extrinsic rewards bound together in a total reward approach
	  • An **integrated solution**, not a random collection of independent recommendations
	  • The **optimal mix of rewards** to achieve the **highest return on investment**

Rewards Philosophy

To reinforce these core beliefs, the following outlines the Rewards philosophy for Galaxy:

- Our total rewards approach is designed to be **balanced and competitive** across the organisation. It is aimed at **empowering our employees** to use their initiative and discretionary effort in achieving our business strategies.
- Our total rewards approach stretches beyond financial remuneration and focuses on the **employee value proposition** delivering experiential and emotional value. It represents the various ways that we aim to reward employees for their contribution to our business success.

Rewards Philosophy (continued)

- We provide a **suite of total reward programs** to recognise excellence, outstanding individual and organisational performance and demonstration of our values.
- Rewards provided should be **valued and meaningful to employees**. It should have a rigorous and documented process and be **clearly communicated.**

Rewards Principles

Galaxy Reward strategy is summarised in the following guiding principles:

- **Business Alignment:**
  Our total reward approach will be structured to support our business strategies and objectives particularly around developing the Company's growth projects and to reinforce our desired values and behaviours.
- **Market Competitiveness:**
  We will regularly conduct market benchmarking to ensure that our reward practices are competitive against the industries with whom we compete for talent. Our fixed reward offering will be sufficiently attractive to enable us to recruit and retain top talent in order to drive business outcomes. Variable reward will provide the opportunity for our highest – performing employees to receive additional remuneration. This can encompass short-term incentives ("**STI**") and long-term incentives ("**LTI**"). Market data will be sourced relative to the individuals experience levels of the mining sector in order to ensure that remuneration is competitive, and that internal relativities are reasonable.
- **Workforce Segmentation:**
  Generally, we will adopt a common rewards framework for all employees. In certain circumstances, we may need to segment our workforce to ensure that we apply reward strategies that optimise our investment in critical or strategic talent. For example, niche or specialist roles may need to be considered separately to recognise the unique market for talent.
- **Grading Framework:**
  We will apply a job grading framework that reflects our organisation structure and supports delivery of rewards and other HR initiatives. Job grading is based on a structured, external methodology, and reflects key elements such as the impact of the job and communication, innovation and knowledge requirements.
- **Reward for Performance:**
  We will differentiate reward according to performance. Variable pay is performance-based and will form an integral part of our total rewards package. Our performance-based rewards provide an opportunity for participating employees to earn variable pay when our business exceeds performance expectations. Our variable reward system (e.g. STI & LTI) is designed to drive both organisational and individual performance, particularly around the development of the Company's growth assets. The STIs (annual) rewarded in cash, will be designed to primarily reward overall outstanding performance against goals (as pre-determined) and also take into account behavioural expectations. The LTIs rewarded in equity-based benefits, will be designed to retain and incentivise senior management and key individuals over the longer term. Objectives for both STI and LTI are focussed on developing the Company's projects.
- **Communication:**
  We will provide clarity around our total reward philosophy, and the principles of our rewards programs will be openly communicated. Managers will feel confident in discussing our reward philosophy and guiding principles, while individuals will understand how all elements of their total reward work together, on top of cash remuneration, to reflect how Galaxy values their contribution.
- **Transparency:**
  Managers will have access to their teams' pay ranges and their respective pay within ranges, while all employees will have access to:
  - Our reward principles;
  - The level in which their role sits;
  - Competence and performance expectations of their role;
  - Their managers' honest view on how their individual performance has been assessed;
  - Personal development;
  - Considerations for determining the positioning of an individual within their remuneration range; and
  - Annual remuneration review process
- **Career:**
  We recognise that individuals seek to develop their skills and capabilities to better enhance their individual value. We will support the individual on their own career journey. This will be achieved through on-the-job development and experiences, provision of relevant technical training, behavioural competency development, actionable feedback and support in external programs that are complementary to business needs.

COMPENSATION

Remuneration is referred to as compensation throughout this report.

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 2015. 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 20 for details of options issued under the LTIP.

Shareholders approved the establishment of the Galaxy Resources Limited Incentive Option Plan ("**IOP**") on 18 May 2017. The objective of the IOP is to attract, motivate and retain Directors, management and key employees by providing recipients of options under the plan with the ability to participate in the future growth of the Company. Refer to note 20 for details of options issued under the IOP.

At the end of 2019, the Board approved the adoption of a short term incentive ("**STI**") and long term incentive ("**LTI**") program. This updated STI and LTI program has been implemented with effect from 1 January 2020. The grant, issue and vesting of STI's and LTI's will align with the Company's corporate strategy and longer term growth plans and will fit within a broader performance review process to be implemented in 2020.

The performance review process will ensure that, at the start of each financial year, each employee is provided with annual performance objectives which are derived from the Corporate Strategy and Business Plan that is established by the executive and approved by the Board each year.

The STI program provides cash and equity based incentives with time based vesting conditions linked to achieving the performance objectives set out in the annual Corporate Scorecard and individual performance objectives for the year. The equity-based component of the STI program has one third vesting for each of the three years after award, subject to ongoing employment at the time of vesting.

The LTI program is purely equity based and will vest after four years, subject to satisfaction of non-financial performance metrics targeted at development of the Sal de Vida and James Bay projects and a relative Total Shareholder Return ("**RTSR**") test.

A total of 7,528,036 performance rights were issued on 23 January 2020 to 29 employees pursuant to this new STI and LTI program for FY2020.

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 15 May 2018 Annual General Meeting, is not to exceed US$1,000,000 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 which has remained unchanged in the current year. Effective 1 January 2018, Non-Executive Directors receive US$100,000 per annum all inclusive of superannuation. Directors' fees cover all main Board activities and memberships of committees.

SERVICE AGREEMENTS

The Group has entered into service contracts with each KMP. The service contract outlines the components of remuneration paid to each key management person but does not prescribe how remuneration levels are modified from year to year. Remuneration levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the KMP and any changes required to meet the principles of the remuneration policy. No service contract specifies a term of employment.

The Company may elect to pay the required notice period in part or full. KMP are also entitled to receive, on termination of employment, statutory entitlements of accrued annual and long service leave, and any accrued superannuation contributions would be paid to their fund. In the case of a genuine redundancy, executives would receive their statutory entitlements based on completed years of service.

The following table outlines the details of contracts with executives.

	Fixed Remuneration		Termination Provisions	
Name	Current	Effective Form	Notice Period (i)	Entitlement to Options & Rights on Termination
Anthony Tse	US$400,000	1 January 2017	Nil (ii)	In accordance with the terms and conditions of the LTIP (for share appreciation rights) and IOP (for options).
Simon Hay (iii)	A$650,000	1 July 2019	6 months	
Nicholas Rowley	A$310,000	4 November 2019	1 month	
Alan Rule	A$390,000	4 November 2019	6 months	
Brian Talbot	A$325,403	4 November 2019	6 months	

i. *Notice periods apply to both employer and employee initiated termination.*
ii. *Termination can occur with immediate effect by notification from either party*
iii. *Mr Hay was appointed as CEO on 1 July 2019.*

DETAILS OF REMUNERATION

The details of remuneration of the KMP and specified executives of the Group are set out in the following tables.

Remuneration for the Year Ended 31 December 2019

	Short-term			Post-employment	Share-based payments		Termination Payments	Total	Performance Related
	Cash salary & fees	Incentive Payment	Non-monetary benefits	Superannuation	Options	SARs and Performance Rights			
	US$	US$	US$	US$	US$	US$	US$	US$	%
Non-Executive Directors									
Peter Bacchus	100,000	-	-	-	22,684	-	-	**122,684**	18.5%
Alan Fitzpatrick (ii)	84,942	-	-	5,866	-	-	-	**90,808**	-
Florencia Heredia	100,000	-	-	-	-	-	-	**100,000**	-
Martin Rowley	300,000	-	2,811	-	181,470	-	-	**484,281**	37.5%
John Turner	100,000	-	-	-	22,684	-	-	**122,684**	18.5%
Jian-Nan Zhang (i)	4,304	-	-	409	-	-	-	**4,713**	-
Executive Director									
Anthony Tse	400,000	-	-	-	181,470	-	-	**581,470**	31.2%
Other KMP									
Simon Hay (iii)	212,915	-	1,406	7,109	-	42,362	-	**263,792**	16.0%
Nicholas Rowley	173,311	-	2,811	14,059	52,406	-	-	**242,587**	21.6%
Alan Rule	216,014	-	2,811	14,059	52,406	13,656	-	**298,946**	22.1%
Brian Talbot	197,829	-	2,811	15,669	41,925	13,003	-	**271,237**	20.3%
Total	**1,889,315**	**-**	**12,650**	**57,171**	**555,045**	**69,021**	**-**	**2,583,202**	

i. *Mr Zhang retired from the Board of Directors on 16 January 2019.*
ii. *Mr Fitzpatrick was appointed to the Board of Directors on 16 January 2019.*
iii. *Mr Hay was appointed as CEO on 1 July 2019.*

Remuneration Report (Audited)

DETAILS OF REMUNERATION *(continued)*

Remuneration for the Year Ended 31 December 2018

	Short-term			Post-employment	Share-based payments		Termination Payments	Total	Performance Related
	Cash salary & fees	Incentive Payment	Non-monetary benefits	Superannuation	Options	SARs and Performance Rights			
	US$	US$	US$	US$	US$	US$	US$	**US$**	%
Non-Executive Directors									
Peter Bacchus	100,000	-	-	-	79,676	-	-	**179,676**	44.3%
Florencia Heredia	100,000	-	-	-	-	-	-	**100,000**	-
Martin Rowley	300,000	-	2,996	-	637,411	-	-	**940,407**	67.8%
John Turner	100,000	-	-	-	79,676	-	-	**179,676**	44.3%
Jian-Nan Zhang	89,006	-	-	8,456	21,121	-	-	**118,583**	17.8%
Executive Director									
Anthony Tse	396,587	300,000	-	-	637,411	-	-	**1,333,998**	70.3%
Other KMP									
Mark Pensabene [i]	93,112	-	1,248	10,693	(28,093)	(89,753)	142,917	**130,124**	(90.6%)
Nicholas Rowley	186,798	46,547	2,996	19,583	188,097	-	-	**444,021**	52.8%
Alan Rule	231,630	35,805	2,996	18,562	188,097	89,301	-	**566,391**	55.3%
Brian Talbot [ii]	148,930	25,064	1,748	12,308	68,873	36,456	-	**293,379**	44.4%
Total	**1,746,063**	**407,416**	**11,984**	**69,602**	**1,872,269**	**36,004**	**142,917**	**4,286,255**	

i. *Mr Pensabene resigned as COO effective 4 May 2018. Expense previously recognised in relation to unvested SARs and Options that lapsed on termination has been reversed in the current year.*

ii. *Mr Talbot was appointed Acting COO effective 7 May 2018. Remuneration reported above only corresponds to the period during which the individual was classified as a KMP.*

Incentive Payment

The Board approved the incentive cash payment to the Executive Director and Other KMP recognising their contribution and achievement in realising and unlocking value from the Sal de Vida asset with the completion of the POSCO transaction.

SHARE-BASED COMPENSATION

All options refer to options over ordinary shares of Galaxy Resources Limited, which are exercisable on a one-for-one basis.

All rights refer to rights over ordinary shares of Galaxy Resources Limited, the number of rights to be received is dependent on the share price at the exercise date.

Details of options and rights granted as compensation or exercised by KMP during the year are as follows:

- On 1 July 2019 a total of 150,000 performance rights (convertible into one ordinary share per right) were granted to Simon Hay upon commencement as Chief Executive Officer. 50,000 performance rights will vest on each of 30 June 2020, 2021 and 2022 subject to ongoing employment at the time of vesting. These performance rights were issued subject to the terms of the LTIP and had a fair value at the date of grant of A$1.32.
- On 29 May 2019, a total of 1,818,314 ordinary shares were issued to Anthony Tse upon exercising 2,000,000 share appreciation rights.

SHARE-BASED COMPENSATION *(continued)*

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

Unlisted options	Balance at 1 January 2019	Granted as remuneration	Exercised	Net Change Other	Balance at 31 December 2019	Vested		
						Total	Exercisable	Not Exercisable
Directors								
Peter Bacchus	275,000	-	-	-	275,000	200,000	200,000	-
Alan Fitzpatrick [ii]	-	-	-	-	-	-	-	-
Florencia Heredia	-	-	-	-	-	-	-	-
Martin Rowley	4,000,000	-	-	-	4,000,000	3,400,000	3,400,000	-
Anthony Tse	4,000,000	-	-	-	4,000,000	3,400,000	3,400,000	-
John Turner	500,000	-	-	-	500,000	425,000	425,000	-
Jian-Nan Zhang [i]	500,000	-	-	(500,000)	n/a	n/a	n/a	-
Other KMP								
Simon Hay [iii]	-	-	-	-	-	-	-	-
Nicholas Rowley	1,000,000	-	-	-	1,000,000	850,000	850,000	-
Alan Rule	1,000,000	-	-	-	1,000,000	850,000	850,000	-
Brian Talbot	800,000	-	-	-	800,000	680,000	680,000	-
Total Options	**12,075,000**	**-**	**-**	**(500,000)**	**11,575,000**	**9,805,000**	**9,805,000**	**-**

i. *Mr Zhang retired from the Board of Directors on 16 January 2019.*

ii. *Mr Fitzpatrick was appointed to the Board of Directors on 16 January 2019.*

iii. *Mr Hay was appointed as CEO on 1 July 2019.*

These options held by KMP's were granted on 18 May 2017, expire on 14 June 2020, are exercisable at A$2.78 and had the following vesting conditions:

Tranche	%	Vesting Condition
A	25	Upon the Company achieving a closing Share price on the ASX of at least $3.15 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 Sal de Vida 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

SHARE-BASED COMPENSATION *(continued)*

Tranche D remains unvested at 31 December 2019.

Share appreciation rights (SARs)	Balance at 1 January 2019	Granted as remuneration	Exercised	Net Change Other	Balance at 31 December 2019	Vested		
						Total	Exercisable	Not Exercisable
Directors								
Peter Bacchus	-	-	-	-	-	-	-	-
Alan Fitzpatrick (ii)	-	-	-	-	-	-	-	-
Florencia Heredia	-	-	-	-	-	-	-	-
Martin Rowley	-	-	-	-	-	-	-	-
Anthony Tse	2,000,000	-	(2,000,000)	-	-	-	-	-
John Turner	-	-	-	-	-	-	-	-
Jian-Nan Zhang (i)	-	-	-	-	-	-	-	-
Other KMP								
Simon Hay(iii)	-	-	-	-	-	-	-	-
Nicholas Rowley	-	-	-	-	-	-	-	-
Alan Rule	200,000	-	-	-	200,000	200,000	200,000	-
Brian Talbot	200,000	-	-	-	200,000	200,000	200,000	-
Total SARs	**2,400,000**	**-**	**(2,000,000)**	**-**	**400,000**	**400,000**	**400,000**	**-**

i. *Mr Zhang retired from the Board of Directors on 16 January 2019.*
ii. *Mr Fitzpatrick was appointed to the Board of Directors on 16 January 2019.*
iii. *Mr Hay was appointed as CEO on 1 July 2019.*

No options or rights were forfeited during the prior year due to performance criteria not being achieved. There have been no alterations to the terms and conditions of options or rights awarded as remuneration since their award date.

Performance rights	Balance at 1 January 2019	Granted as remuneration	Exercised	Net Change Other	Balance at 31 December 2019	Vested		
						Total	Exercisable	Not Exercisable
Directors								
Peter Bacchus	-	-	-	-	-	-	-	-
Alan Fitzpatrick (ii)	-	-	-	-	-	-	-	-
Florencia Heredia	-	-	-	-	-	-	-	-
Martin Rowley	-	-	-	-	-	-	-	-
Anthony Tse	-	-	-	-	-	-	-	-
John Turner	-	-	-	-	-	-	-	-
Jian-Nan Zhang (i)	-	-	-	-	-	-	-	-
Other KMP								
Simon Hay (iii)	-	150,000	-	-	150,000	-	-	-
Nicholas Rowley	-	-	-	-	-	-	-	-
Alan Rule	-	-	-	-	-	-	-	-
Brian Talbot	-	-	-	-	-	-	-	-
Total rights	**-**	**150,000**	**-**	**-**	**150,000**	**-**	**-**	**-**

i. *Mr Zhang retired from the Board of Directors on 16 January 2019.*
ii. *Mr Fitzpatrick was appointed to the Board of Directors on 16 January 2019.*
iii. *Mr Hay was appointed as CEO on 1 July 2019.*

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

The movement during the financial year in the 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 2019	Exercise of options/ SARs	Acquisitions / Disposals	Net Change Other	Balance at 31 December 2019
Directors					
Peter Bacchus	50,182	-	-	-	50,182
Alan Fitzpatrick (ii)	-	-	-	-	-
Florencia Heredia	-	-	-	-	-
Martin Rowley	4,519,346	-	50,000	-	4,569,346
Anthony Tse	4,743,729	1,818,314	-	-	6,562,043
John Turner	25,000	-	90,000	-	115,000
Jian-Nan Zhang (i)	425,097	-	-	(425,097)	n/a
Other KMP					
Simon Hay (iii)	-	-	-	-	-
Nicholas Rowley	100,000	-	-	-	100,000
Alan Rule	-	-	-	-	-
Brian Talbot	-	-	-	-	-
Total Shares	**9,863,354**	**1,818,314**	**140,000**	**(425,097)**	**11,396,571**

i. *Mr Zhang retired from the Board of Directors on 16 January 2019.*
ii. *Mr Fitzpatrick was appointed to the Board of Directors on 16 January 2019.*
iii. *Mr Hay was appointed as CEO on 1 July 2019.*

All equity transactions with KMP other than those arising from the exercise of remuneration options and rights have been entered into under terms and conditions no more favorable than those the Group would have adopted if dealing at arm's length.

STATUTORY PERFORMANCE INDICATORS

Detailed below are the measures of the group's performance over the last five years as required by the Corporations Act 2001. These may not be consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMPs. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

		2019	2018	2017	2016	2015
Net Profit / (Loss) after tax	$'000	(283,742)	150,223	127	122,706	54,863
Basic Earnings / (Loss) per share	Cps	(69.435)	36.871	0.032	8.3	5.0
Dividend payments	$'000	-	-	-	-	-
Dividend payout ratio	%	-	-	-	-	-
Increase / (decrease) in closing share price	%	(57)	(43)	46	357	360

Remuneration Report (Audited)

ADDITIONAL DISCLOSURES RELATING TO KMP

Loans to KMP and their related parties

There were no loans made to any KMP and/or their related parties during the current or prior years.

Other transactions with KMP

The Group acquired the following goods and services from entities that are controlled by members of the Group's KMP:

- Financial services totaling US$Nil (2018: US$35,263) were provided by Bacchus Capital Advisers Ltd. Bacchus Capital Advisers are a related party of Peter Bacchus.
- Legal services totaling US$136,345 (including US$18,000 unpaid at year end) (2018: US$227,414) were provided by Fasken Martineau DuMoulin LLP. Fasken Martineau DuMoulin LLP are a related party of John Turner.
- Legal services totaling US$232,783 (including US$29,500 unpaid at year end) (2018: US$631,946) were provided by Allende & Brae. Allende & Brae are a related party of Florencia Heredia.
- An amount of US$37,800 (2018: US$7,441 paid) was paid to New Haven Learning Centre for sponsorship of an event. New Haven Learning Centre is a related party of John Turner.

End of Remuneration Report

Signed in accordance with a resolution of the Directors.

Martin Rowley
Chairman

Dated at Perth on 20 February 2020

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Galaxy Resources Limited for the year ended 31 December 2019, 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.

Douglas Craig
Partner
PricewaterhouseCoopers

Perth
20 February 2020

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 FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

Consolidated Statement of Financial Position

Consolidated Statement of Changes in Equity

Consolidated Statement of Cash Flows

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Independent Auditor's Report

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 US$'000	2018 US$'000
Operating sales revenue	2	69,514	153,929
Cost of sales	2	(80,897)	(128,506)
Inventory write down	9	(23,637)	-
Gross Profit / (Loss)		**(35,020)**	**25,423**
Gain on sale of exploration and evaluation assets	13	-	223,025
Impairment of Property, Plant & Equipment and Right of Use Assets	12 & 16	(188,905)	-
Other income	2	-	4,594
Other expenses	2	(16,974)	(17,511)
Profit / (Loss) Before Tax and Net Finance Income		**(240,899)**	**235,531**
Finance income	5	11,685	814
Finance expenses	5	(2,269)	(543)
Profit / (Loss) Before Tax		**(231,483)**	**235,802**
Income tax (expense)	17	(52,259)	(85,579)
Profit / (Loss) After Tax for the Year		**(283,742)**	**150,223**
Profit / (Loss) Attributable to Members of the Parent		**(283,742)**	**150,223**
Other Comprehensive Income / (Loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation reserve	7	(2,270)	(35,044)
Items that will not be classified to profit or loss			
Changes in the fair value of financial assets designated at fair value through other comprehensive income	7	(27,316)	(15,104)
Income tax (expense) / benefit relating to changes in fair value of financial assets	7	(534)	4,490
Other Comprehensive Income / (Loss) for the Period, Net of Tax		**(30,120)**	**(45,658)**
Total Comprehensive Income / (Loss) After Tax		**(313,862)**	**104,565**
Total Comprehensive Income / (Loss) After Tax Attributable to Members of the Parent		**(313,862)**	**104,565**
Earnings per share attributable to the ordinary equity holders of the Company			
Basic income / (loss) per share (cents per share)	3	(69.435)	36.871
Diluted income / (loss) per share (cents per share)	3	(69.435)	36.551

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 US$'000	2018 US$'000
CURRENT ASSETS			
Cash and cash equivalents	*4*	100,907	24,755
Financial assets	*11*	36,812	-
Trade and other receivables	*8*	10,801	278,703
Inventories	*9*	27,752	16,708
Other current assets		1,660	1,456
Total Current Assets		**177,932**	**321,622**
NON-CURRENT ASSETS			
Financial assets	*11*	**5,514**	**15,542**
Property, plant and equipment	*12*	33,728	213,374
Right of use assets	*16*	8,402	-
Exploration and evaluation assets	*13*	**88,517**	**81,644**
Deferred tax asset	*17*	-	33,344
Other non-current assets		**2,003**	**1,611**
Total Non-Current Assets		**138,164**	**345,515**
Total Assets		**316,096**	**667,137**
CURRENT LIABILITIES			
Trade and other payables	*10*	24,867	34,611
*L*ease liabilities	*16*	6,572	-
Provisions	*15*	6,922	6,569
Income tax payable		14,022	67,343
Total Current Liabilities		**52,383**	**108,523**
NON-CURRENT LIABILITIES			
Lease liabilities	*16*	18,205	-
Provisions	*15*	4,673	4,962
Total Non-Current Liabilities		**22,878**	**4,962**
Total Liabilities		**75,261**	**113,485**
Net Assets		**240,835**	**553,652**
EQUITY			
Contributed equity	*7*	674,091	673,801
Reserves	*7*	(33,012)	(2,447)
Accumulated losses		(400,244)	(117,702)
Total Equity		**240,835**	**553,652**

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 2019

	Contributed Equity US$'000	Reserves US$'000	Accumulated losses US$'000	Total US$'000
Balance at 31 December 2017	**668,111**	**45,759**	**(267,925)**	**445,945**
Profit for the year	-	-	150,223	150,223
Other comprehensive income / (loss)	-	(45,658)	-	(45,658)
Total comprehensive income / (loss)	**-**	**(45,658)**	**150,223**	**104,565**
Transactions with owners in their capacity as owners:				
Transfer of reserve upon exercise of options	5,468	(5,468)	-	-
Share-based payment transactions	222	2,920	-	3,142
Balance at 31 December 2018	**673,801**	**(2,447)**	**(117,702)**	**553,652**
(Loss) for the year	-	-	(283,742)	**(283,742)**
Other comprehensive income / (loss)	-	(30,120)	-	**(30,120)**
Total comprehensive income / (loss)	-	**(30,120)**	**(283,742)**	**(313,862)**
Transactions with owners in their capacity as owners:				
Transfer of reserve upon exercise of SARs	192	(192)	-	-
Transfer of reserve upon forfeit of options	-	(1,200)	1,200	-
Share-based payment transactions	98	947	-	1,045
Balance at 31 December 2019	**674,091**	**(33,012)**	**(400,244)**	**240,835**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 US$'000	2018 US$'000
OPERATING ACTIVITIES			
Receipts from customers		63,624	154,920
Payments to suppliers, contractors and employees		(98,902)	(97,153)
Cash generated from / (used in) Operations		**(35,278)**	**57,767**
Income and withholding tax paid		(61,885)	-
Net Cash inflow / (outflow) from Operating Activities	4	**(97,163)**	**57,767**
INVESTING ACTIVITIES			
Interest received		10,686	812
Payments for property, plant and equipment		(12,628)	(29,750)
Proceeds from sale of other non-current assets		-	77
Payments for financial assets		(68,448)	(22,377)
Proceeds from disposal of financial assets		850	6,215
Payments for loan acquired		(31,087)	-
Repayment of loan acquired		31,087	-
Payments for exploration and evaluation assets		(17,480)	(17,594)
Proceeds from sale of exploration and exploration and evaluation assets	13a	271,600	-
Payments for transaction costs on sale of exploration and evaluation assets	13a	-	(14,500)
Net Cash inflow / (outflow) from Investing Activities		**184,580**	**(77,117)**
FINANCING ACTIVITIES			
Principal elements of lease payments		(7,513)	-
Bank charges and interest paid		(1,830)	(56)
Proceeds from borrowings		32,000	-
Repayments of borrowings		(32,000)	-
Transaction costs related to loans and borrowings		(373)	(619)
Net Cash inflow / (outflow) from Financing Activities		**(9,716)**	**(675)**
Net Increase / (Decrease) in Cash and Cash Equivalents		**77,701**	**(20,025)**
Cash and cash equivalents at the beginning of the period		24,755	46,629
Effect of foreign exchange rate changes		(1,549)	(1,849)
Cash and Cash Equivalents at the End of the Period	4	**100,907**	**24,755**

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

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BASIS OF PREPARATION

Galaxy Resources Limited ("**Company**") is a for profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange (trading under the symbol 'GXY'). The Company's registered office and its principal place of business is Level 4, 21 Kintail Road, Applecross, WA.

The consolidated financial statements of the Company for the year ended 31 December 2019 comprise the Company and the entities it controlled ("**Group**").

A description of the nature of operations and principal activities of the Group is included in the Directors' Report, which is not part of these financial statements.

The financial report is a general purpose financial report which:

- has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ("**AASB**") and complies with International Financial Reporting Standards ("**IFRS**") and interpretations as issued by the International Accounting Standards Board ("**IASB**");
- has been prepared on a historical cost basis, except for certain assets and liabilities and share-based payments which are required to be measured at fair value. The basis of measurement is discussed further in the individual notes.
- is presented in United States dollars with all values rounded to the nearest thousand dollars (US$'000) unless otherwise stated, in accordance with ASIC Instrument 2016/191;
- presents reclassified comparative information where required for consistency with the current year's presentation;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 January 2019. Refer to note 26 for further details; and
- does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective. Refer to note 26 for further details.

Principles of consolidation

The consolidated financial statements comprise the financial statements of the Group. A list of controlled entities (subsidiaries) at year-end is contained in note 24.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting that may exist.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profits and losses resulting from intra-Group transactions have been eliminated. Subsidiaries are consolidated from the date on which control is obtained to the date on which control is disposed. The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

Foreign currencies

The functional currency of the Company is Australian dollars. The functional currencies of subsidiaries are listed in note 24. As at the reporting date, the assets and liabilities of subsidiaries with functional currencies other than US dollars, are translated into US dollars at the rate of exchange ruling at the balance sheet date and the income statements are translated at the average exchange rates for the year. The exchange differences arising on the retranslation are taken directly to a separate component of equity.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Exchange differences arising from the application of these procedures are taken to the income statement.

Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and which are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements. Where possible, wording has been simplified to provide clearer commentary on the financial report of the Group. Accounting policies determined non-significant are not included in the financial statements. There have been no changes to the Group's accounting policies that are no longer disclosed in the financial statements.

Use of estimates and judgements

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. Judgments and estimates which are material to the financial report are found in the following notes:

Note 2	Units-of-production method of depreciation and amortisation	Page 61
Note 9	Recognition and measurement of inventories	Page 72
Note 13	Impairment of exploration and evaluation assets	Page 77
Note 14	Impairment of non-financial assets and impairment reversals	Page 78
Note 14	Ore reserves and resources	Page 78
Note 15	Rehabilitation Obligations	Page 79
Note 17	Recoverability and measurement of current and deferred tax assets	Page 83
Note 20	Share-based payments	Page 88

Consolidated Financial Statement

FINANCIAL PERFORMANCE

This section focuses on the results and performance of the Group. This covers both profitability and the resultant return to shareholders via earnings per share.

1. SEGMENT INFORMATION

During the period the Group has managed its businesses by geographic location, which resulted in four operating and reportable segments for 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 Chief Executive Officer (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.

Segment performance is evaluated based on Earnings Before Interest, Tax, Depreciation and Amortisation ("**EBITDA**") which is allocated to the reportable segments according to the geographic location in which the item arose or relates to. This includes both directly attributable items and those that can be allocated on a reasonable basis. EBITDA is a non-IFRS measure that has been included to assist management to better understand the performance of the business.

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.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

The following table presents financial information for reportable segments for the years ended 31 December 2019 and 31 December 2018:

Continuing Operations	Corporate US$'000	Australia US$'000	Argentina US$'000	Canada US$'000	Consolidated US$'000
2019					
Segment Result					
Segment revenue [i]	-	69,514	-	-	69,514
EBITDA before Inventory write down	**(11,944)**	**23,809**	**(5,054)**	**5**	**6,816**
Finance income	1,519	317	9,848	-	11,684
Finance expenses	(865)	(1,397)	(2)	(5)	(2,269)
Depreciation and amortisation	(599)	(34,008)	(504)	(61)	(35,172)
Inventory write down	-	(23,637)	-	-	(23,637)
Property, Plant & Equipment and Right of Use Assets Impairment	(525)	(188,380)	-	-	(188,905)
Profit / (Loss) Before Income Tax	**(12,414)**	**(223,296)**	**4,288**	**(61)**	**(231,483)**
Segment Assets					
Segment assets at balance date	4,503	67,945	81,128	19,287	**172,863**
Unallocated items					
Cash and cash equivalents					100,907
Financial assets – current					36,812
Financial assets – non-current					5,514
Total Assets					**316,096**
Segment Liabilities					
Segment liabilities	5,066	39,129	24,520	6,546	75,261
Total Liabilities					**75,261**
Other Disclosures					
Capital expenditure	**201**	**9,293**	**13,909**	**5,063**	**28,466**

i. Inter-segment revenue for the period ended 31 December 2019 is US$Nil.

SEGMENT INFORMATION *(continued)*

Continuing Operations	Corporate US$'000	Australia US$'000	Argentina US$'000	Canada US$'000	Consolidated US$'000
2018					
Segment Result					
Segment revenue (i)	-	153,929	-	-	153,929
EBITDA	**(9,604)**	**70,517**	**223,025**	**(2,768)**	**281,170**
Finance income	37	776	-	1	814
Finance expenses	(425)	(111)	(2)	(5)	(543)
Depreciation and amortisation	(116)	(45,094)	(377)	(52)	(45,639)
Profit / (Loss) Before Income Tax	**(10,108)**	**26,088**	**222,646**	**(2,824)**	**235,802**
Segment Assets					
Segment assets at balance date	2,068	241,964	336,026	13,438	**593,496**
Unallocated items					
Cash and cash equivalents					24,755
Financial assets					15,542
Deferred tax assets					33,344
Total Assets					**667,137**
Segment Liabilities					
Segment liabilities	5,230	24,546	77,404	6,305	113,485
Total Liabilities					**113,485**
Other Disclosures					
Capital expenditure	554	32,832	28,926	7,110	**69,422**

i. Inter-segment revenue for the period ended 31 December 2018 is US$Nil.

2. REVENUE AND EXPENSES

Accounting Policies

Revenue from the sale of products and shipping activities

The Group has signed multi year contracts with customers for the sale of spodumene concentrate from Mt Cattlin that include two performance obligations, being the delivery of spodumene to the vessel for shipment and the delivery of the spodumene to the customer's port of discharge on either a "cost insurance freight" ("**CIF**") or "cost and freight" ("**CFR**") basis. Accordingly, the Group currently has two sources of revenue being:

- the sale of spodumene concentrate from its Mt Cattlin mine in Western Australia; and
- shipping and insurance costs charged to the customer.

The Group has concluded that revenue from the sale of spodumene is recognised at the point in time when control of the asset is transferred to the customer, which occurs on delivery of the product over the ship's rail on the bill of lading date.

Revenue from shipping and insurance costs are recognised over the period from completion of the bill of lading to the point in which the Group materially fulfils the performance obligation.

Operating sales revenue		2019 US$'000	2018 US$'000
Sale of spodumene concentrate		66,338	147,482
Revenue from shipping activities	(a)	3,176	6,447
		69,514	153,929

(a) Revenue from shipping activities and the associated shipping activities costs are collected from the customer and paid to the supplier by an independent third party. These transactions are non-cash transactions for the purpose of the Statement of Cash Flows.

Accounting Policies

Cost of Sales – Sale of Spodumene and Shipping Activities

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 any net realisable value writedowns.

Depreciation

Depreciation of mine specific plant and equipment is charged to the statement of comprehensive income on a unit-of-production basis over the measured and indicated resources of the mine concerned, except in the case of assets whose useful life is shorter than the life of mine, in which case, the straight-line method is used. The unit of account is tonnes of ore processed.

Depreciation of non-mine specific plant and equipment is charged to the statement of comprehensive income on a straight-line basis over the estimated useful life, which for the current and comparative periods were:

- Freehold land: Not depreciated
- Plant and equipment: 2 – 15 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Amortisation

Mine development expenditure is amortised on a unit-of-production basis over the measured and indicated resources of the mine concerned. The unit of account is tonnes of ore mined.

REVENUE AND EXPENSES *(continued)*

Cost of Sales - Sale of Spodumene and Shipping Activities		2019 US$'000	2018 US$'000
Cash costs of production			
Mining costs		(34,119)	(29,935)
Processing costs		(23,793)	(30,526)
Transport costs		(5,501)	(6,072)
Administration and other site costs		(6,643)	(5,205)
Selling and royalty costs			
Royalties		(5,025)	(9,335)
Sales commission		(2,429)	(5,363)
Freight, selling and distribution costs		(3,373)	-
Non-cash costs of production			
Depreciation and amortisation property plant and equipment	*12*	(27,237)	(45,094)
Depreciation and amortisation right of use assets	*16*	(6,770)	-
Shipping activities costs	*(a)*	(3,176)	(6,447)
Net inventory movement		37,169	9,471
		(80,897)	**(128,506)**

Key estimates and assumptions

Unit-of-production method of depreciation and amortisation

The Group uses the unit-of-production basis when depreciating/amortising life of mine specific assets which results in a depreciation/amortisation charge proportionate to the depletion of the anticipated remaining life of mine production. Each item's economic life, which is assessed annually, has due regard for both its physical life limitations and the present assessments of measured and indicated resources of the mine property at which it is located.

Other income	2019 US$'000	2018 US$'000
Net foreign exchange gains	-	3,734
Other income	-	860
	-	**4,594**
Other expenses		
Administration expenses	(11,451)	(14,305)
Depreciation	(1,165)	(545)
Net foreign exchange loss	(3,916)	-
Rehabilitation expense	-	(2,636)
Other expenses	(442)	(25)
	(16,974)	**(17,511)**

3. EARNINGS PER SHARE

Accounting Policy

Earnings per share ("**EPS**") is the amount of post-tax profit attributable to each share. The Group presents basic and diluted EPS data for ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted EPS takes into account the dilutive effect of all potential ordinary shares, being unlisted employee share options and share appreciation rights on issue.

	2019 US$'000	2018 US$'000
Earnings used in calculating EPS		
Profit attributable to the ordinary shareholders of the Company	**(283,742)**	**150,223**

	2019	2018
Weighted average number of shares		
Weighted average number of ordinary shares for basic EPS	408,643,569	407,432,710
Effects of dilution from:		
Share options	-	1,403,498
Share appreciation rights	-	2,158,999
Weighted average number of ordinary shares adjusted for the effect of dilution	**408,643,569**	**410,995,207**

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements which would impact the above EPS calculations.

	2019 US$'000	2018 US$'000
Earnings per share attributable to the ordinary equity holders of the Company		
Basic income / (loss) per share (cents per share)	(69.435)	36.871
Diluted income / (loss) per share (cents per share)	(69.435)	36.551

CAPITAL AND RISK MANAGEMENT

This section outlines how the Group manages its capital, related financing costs and its exposure to various financial risks. It explains how these risks affect the Group's financial position and performance and what the Group does to manage these risks.

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and maximise shareholder value.

The Board's policy in relation to capital management is to regularly and consistently monitor future cash flows against expected expenditures for a rolling period of up to 12 months in advance. The Board determines the Group's need for additional funding by way of either share issues or loan funds depending on market conditions at the time. For the purposes of the Group's capital management, capital includes issued capital and all other equity reserves attributable to equity holders of the parent and net financial debt. Within net debt, the Group includes interest-bearing loans and borrowings less cash and cash equivalents.

There were no changes in the Group's approach to capital management during the year.

4. CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant changes in value. Cash at bank earns interest at floating rates based on daily bank deposit rates.

At 31 December 2019, the Group had undrawn, committed borrowing facilities available of US$40 million (2018: US$40 million) (note 5).

Cash and cash equivalents in the statements of financial position and cash flows	2019 US$'000	2018 US$'000
Cash at bank and on hand	**100,907**	**24,755**

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 6.

Reconciliation of profit after income tax to net cash inflow from operating activities	2019 US$'000	2018 US$'000
Profit / (loss) for the year	(283,742)	150,223
Adjustments for:		
Gain on sale of exploration and evaluation assets	-	(223,025)
Depreciation and amortisation	35,172	45,639
Net finance (income) costs	(9,416)	(270)
Inventory writedown	23,637	-
Property, Plant & Equipment Impairment	188,905	-
Share based payments	945	2,920
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(3,712)	4,447
(Increase)/decrease in inventories	(11,044)	(7,750)
(Increase)/decrease in other assets	(595)	(751)
Increase/(decrease) in trade and other payables	(11,206)	7,666
Increase/(decrease) in lease liabilities	(6,194)	-
Increase/(decrease) in income tax payable	(53,321)	67,343
Increase/(decrease) in provisions	65	2,819
(Increase)/decrease in deferred tax assets	33,343	8,506
Net cash (outflow)/inflow from operating activities	**(97,163)**	**57,767**

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5. INTEREST-BEARING LIABILITIES, FINANCE INCOME AND EXPENSES

Accounting Policies

Loans and borrowings

Loans and borrowings are initially recognised at fair value, net of directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss.

BNP Paribas – Secured Loan

In April 2018, the Group entered into an agreement with BNP Paribas for a new secured corporate debt facility for up to US$40 million repayable on 31 December 2020. An amount of US$32 million was drawn down and subsequently repaid in full during the year ended 31 December 2019.

Accounting Policies

Finance income

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

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.

Unwinding of discount on provisions

The unwinding of discount on provisions represents the cost associated with the passage of time. Rehabilitation provisions are recognised at the discounted value of the present obligation to restore, dismantle and rehabilitate each mine site with the increase in the provision due to the passage of time being recognised as a finance cost in accordance with the policy described in note 15.

	Note	2019 US$'000	2018 US$'000
Finance income			
Interest income		**11,685**	**814**
Finance expenses			
Interest and finance expense on borrowings		(747)	(240)
Interest and finance expense on lease liabilities	16	(1,319)	
Amortisation of capitalised finance costs		(138)	(192)
Unwinding of discount on provisions	15	(65)	(111)
		(2,269)	**(543)**

6. FINANCIAL RISK MANAGEMENT

The Group holds financial instruments for the following purposes:

- **Financing:** to raise finance for the Group's operations or, in the case of short-term deposits, to invest surplus funds. The principal types of instruments used include bank loans, cash and short-term deposits.
- **Strategic:** to pursue growth and diversification opportunities the Group may acquire investments in listed entities.
- **Operational:** the Group's activities generate financial instruments including cash, receivables and trade payables.
- **Risk management:** to reduce risks arising from the financial instruments described above, including foreign currency hedging instruments.

It is, and has been throughout the year, the Group's policy that no speculative trading in financial instruments shall be undertaken.

The Group's holding of these financial instruments exposes it to the following risks:

- Credit risk
- Liquidity risk
- Market risk, including interest rate, exchange rate and equity price risks.

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.

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 organisational, 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.

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:

Carrying amount	Note	2019 US$'000	2018 US$'000
Trade and other receivables	8	10,801	278,703
Cash and cash equivalents	4	100,907	24,755
Financial assets - fixed rate note	11	36,812	-
		148,520	**303,458**

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 Group uses weekly and monthly cash forecasting to monitor cash flow requirements. Typically, the Group ensures it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

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Liquidity risk (continued)

The following table analyses the Group's financial liabilities, including net and gross settled financial instruments, into relevant maturity periods based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and hence will not necessarily reconcile with the amounts disclosed in the statement of financial position.

31 December 2019	Carrying amount US$'000	Contractual cash outflows US$'000	Within 1 year or on demand US$'000	1 – 2 years US$'000	2 – 5 years US$'000	More than 5 years US$'000
Trade and other payables	24,865	24,865	24,865	-	-	-
Lease liabilities	24,777	26,293	7,408	7,419	11,466	
Secured bank loans	-	-	-	-	-	-
Total	**49,642**	**51,158**	**32,273**	**7,419**	**11,466**	**-**

The Company had an undrawn debt facility with BNP Paribas of US$40,000,000 available at 31 December 2019.

31 December 2018	Carrying amount US$'000	Contractual cash outflows US$'000	Within 1 year or on demand US$'000	1 – 2 years US$'000	2 – 5 years US$'000	More than 5 years US$'000
Trade and other payables	34,611	34,611	34,611	-	-	-
Secured bank loans	-	-	-	-	-	-
Total	**34,611**	**34,611**	**34,611**	**-**	**-**	**-**

The Company had an undrawn debt facility with BNP Paribas of US$40,000,000 available at 31 December 2018.

Assets pledged as security

The undrawn debt facility provided by BNP Paribas is secured by:

- A first ranking, registered fixed and floating charge over all of the assets of Galaxy Resources Limited and its wholly-owned subsidiaries Galaxy Lithium Australia Limited and General Mining Corporation Limited;
- A first ranking, registered Mining Act 1978 (WA) mortgage over the Group's interest in the Mt Cattlin project tenements;
- A fixed charge over the Australian bank accounts; and
- Satisfactory security over Galaxy's rights under key project documents.

Market Risk

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 optimising the return.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk on its financial assets and liabilities. The Group's revenue is primarily denominated in US dollars whereas a material proportion of costs are incurred in Australian dollars and Argentinian Peso and, to a lesser extent, Canadian dollars.

The Group's Statement of Financial Position can also be affected materially by movements in the AUD:USD and ARS:USD exchange rates. Managing the exposure to foreign exchange risk is achieved by regularly monitoring the net exposure to ensure it is kept to an acceptable level by buying or selling foreign currency at spot rates where necessary to address short-term imbalances, or occasionally entering into structured foreign currency option arrangements (i.e. zero cost collars) to fix a portion of the Group's AUD:USD exposure to within a Board approved range.

The Group is holding the following zero cost collars at year end:

31 December 2019

Nil outstanding options.

Market Risk (continued)

31 December 2018	Less than 1 month	1 to 3 months	3 to 6 months	9 to 12 months	Total
Zero Cost Collar (Bought Put Option & Sold Call Option)					
Notional amount (US$'000)	5,000	10,000	15,000	-	30,000
Fixed AUD:USD range	0.716 – 0.735	0.716 – 0.735	0.716 – 0.735	-	

The above contracts, which commenced on 1 January 2019, were designated as hedging instruments in cash flow hedges of forecast purchases in AUD. These forecast purchases are highly probable and comprise about 50% of the Group's total expected purchases in AUD. Hedging the foreign currency volatility of expected purchases is in accordance with the risk management strategy outlined by the Board of Directors.

The carrying amounts of the Group's exposure to foreign currency risk at the end of the reporting period, expressed in USD, was as follows:

	Note	2019 US$'000	2018 US$'000
Financial assets			
Cash and cash equivalents		2,342	20,904
Financial Assets		42,325	-
Trade and other receivables		6,167	5,358
		50,834	26,262
Financial liabilities			
Trade and other payables		18,049	419
Balance sheet exposure		32,785	25,843

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2019	2018	2019	2018
1 AUD:USD	0.695	0.748	0.703	0.705
1 ARS:USD	0.021	0.037	0.017	0.027

Sensitivity analysis

A 10% strengthening of the Australian dollar against the USD 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.

	2019		2018	
	Equity	Profit for the period	Equity	Profit for the period
USD $'000	-	(674)	29,335	1,482

A 10% weakening of the Australian dollar against the USD 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.

A 10% strengthening of the Argentinian peso ("**ARS**") against the USD 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.

	2019		2018	
	Equity	Profit for the period	Equity	Profit for the period
USD $'000	-	3,927	-	(7,626)

A 10% weakening of the Argentinian peso against the USD 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.

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Interest rate risk

Since repayment of all interest-bearing liabilities during the financial year, the Group is only exposed to interest rate risk through its cash deposits which attract variable interest rates. The Group regularly reviews its current working capital requirements against cash balances and the returns available on short-term deposits. There is no significant exposure to interest rate risk at the reporting date.

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

	2019 US$'000	2018 US$'000
Cash and cash equivalents	100,907	24,755
Interest rate	0% to 2.75%	0% to 2.75%

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore, a change in market interest rates at reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

As at 31 December 2019 a sensitivity analysis has not been disclosed in relation to the variable interest rate cash on deposit as the results have been determined to be immaterial to the statement of comprehensive income. For the year ended 31 December 2019, a decrease of 100 basis points in variable interest rates, with all other variables held constant, would have resulted in a decrease in the Group's net profit before tax of US$101,000.

Equity Price Risk

The Group's listed and unlisted equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages equity price risk through diversification and placing limits on individual and total equity instruments. The Group's Board of Directors reviews and approves all equity investment decisions.

Sensitivity Analysis

The Group has elected to present fair value changes for all equity investments through other comprehensive income, accordingly, a general increase/(decrease) in the securities of 10% at balance sheet dates, would increase/(decrease) the Group's equity by the amounts shown below:

	2019 US$'000	2018 US$'000
Increase of 10%	551	1,554
Decrease of 10%	(551)	(1,554)

Fair Values

The carrying amounts and estimated fair values of all of the Group's financial instruments recognised in the financial statements are materially the same. The methods and assumptions used to estimate fair value of the financial instruments are disclosed in the respective notes.

Valuation of financial instruments

For all fair value measurements and disclosures, the Group uses the following levels to categorise the method used:

- **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). The Group's derivative liabilities (foreign currency options) and holdings of unlisted options are classified as Level 2 as they were valued using valuation techniques that employ the use of market observable inputs. The most frequently applied valuation techniques include option pricing models incorporating various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rates relevant to the respective currencies. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for the foreign currency options designated in hedge relationships.
- **Level 3:** inputs for the asset or liability that are not based on observable market data

For financial instruments that are carried at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between levels during the year. The table below shows the Group's financial instruments classified into the three levels prescribed under the accounting standards.

Fair Values (continued)

	2019			2018		
	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000
Financial assets at FVOCI	5,448	-	66	15,538	4	-

7. CONTRIBUTED EQUITY AND RESERVES

Accounting Policy

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.

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 20.

Foreign currency translation reserve

The foreign currency reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Fair value reserve

The fair value reserve records fair value changes on financial assets designated at fair value through other comprehensive income ("**FVOCI**").

Capital reserve

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

Ordinary shares on issue:

	2019 Shares	2018 Shares	2019 US$'000	2018 US$'000
Fully paid ordinary shares	**409,479,338**	**407,524,024**	**674,091**	**673,801**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and, on a poll, are entitled to one vote per share at meetings of the Company. The Company does not have authorised capital or par value in respect of its issued shares.

Movement in ordinary shares on issue:

		Number of shares	US$'000
Balance at 31 December 2017		**405,022,009**	**668,111**
Issued as consideration for tenement acquisition		93,168	221
Exercise of options	*(a)*	2,408,847	5,469
Balance at 31 December 2018		**407,524,024**	**673,801**
Issued as consideration for services in lieu of cash		137,000	98
Exercise of SARs	*(b)*	1,818,314	192
Balance at 31 December 2019		**409,479,338**	**674,091**

(a) All options were exercised using the cashless exercise feature available under the IOP. The amount recognised in contributed equity reflects the share-based payments expense previously recognised in the equity-settled payments reserve over the vesting period.

(b) A total of 1,818,314 ordinary shares were issued upon exercise of 2,000,000 share appreciation rights.

Reserves

The following table shows the movements in reserves during the current and prior year.

	Equity-settled payments reserve US$'000	Foreign currency translation reserve US$'000	Fair value reserve US$'000	Capital reserve US$'000	Total reserves US$'000
Balance at 1 January 2018	16,254	16,650	9,232	3,623	45,759
Foreign currency translation differences	-	(35,044)	-	-	(35,044)
Change in fair value of financial assets	-	-	(15,104)	-	(15,104)
Deferred tax	-	-	4,490	-	4,490
Total comprehensive income/ Class	**-**	**(35,044)**	**(10,614)**	**-**	**(45,658)**
Transactions with owners in their capacity as owners:					
Share-based payment transactions	2,920	-	-	-	2,920
Transfer of reserve upon:					
- exercise of share options	(5,286)	-	-	-	(5,286)
- exercise of SARs	(182)	-	-	-	(182)
Balance at 31 December 2018	**13,706**	**(18,394)**	**(1,382)**	**3,623**	**(2,447)**
Balance at 1 January 2019					
Foreign currency translation differences	-	(2,270)	-	-	(2,270)
Change in fair value of financial assets	-	-	(27,316)	-	(27,316)
Deferred tax	-	-	(534)	-	(534)
Total comprehensive income / (loss)	**-**	**(2,270)**	**(27,850)**	**-**	**(30,120)**
Transactions with owners in their capacity as owners:					
Share-based payment transactions	947	-	-	-	947
Transfer of reserve upon:					
- exercise of SARs	(192)	-	-	-	(192)
- forfeit of options	(1,200)	-	-	-	(1,200)
Balance at 31 December 2019	**13,261**	**(20,664)**	**(29,232)**	**3,623**	**(33,012)**

WORKING CAPITAL

This section provides additional information that the Directors consider most relevant to understanding the composition and management of the Group's working capital.

8. TRADE AND OTHER RECEIVABLES

Accounting Policy

Receivables are initially recognised at fair value and subsequently at the amounts considered receivable (financial assets at amortised cost). In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Balances within receivables do not contain impaired assets, are not past due and are expected to be received when due.

Due to the short-term nature of these receivables, their carrying value is assumed to approximate fair value.

Current	*Note*	2019 US$'000	2018 US$'000
Trade receivables		8,675	5,961
Other receivables	*(a)*	2,126	1,128
Receivable from sale of exploration assets	*13(a)*	-	271,614
		10,801	**278,703**

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

9. INVENTORIES

Accounting Policy

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.

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

Inventory write down

At 30 June 2019 and at 31 December 2019, the carrying value of ore and spodumene inventories on hand was reduced to net realisable value resulting in an inventory write down as set out below:

	2019 US$'000	2018 US$'000
Write down at 30 June	13,589	-
Write down at 31 December	10,048	-
	23,637	**-**

Inventory balance

The closing balance of inventories is summarised below:

Current	2019 US$'000	2018 US$'000
Ore and spodumene – at cost	35,276	14,329
Inventory write down at 31 December	(10,048)	-
	25,228	14,329
Consumables	2,524	2,379
	27,752	**16,708**

INVENTORIES *(continued)*

Key estimates and assumptions
Recognition and measurement of inventories
Net realisable value tests are performed at each reporting date and represent the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale. Where the time value of money is material, these future prices and costs to complete are discounted.
Spodumene ore stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained Li_2O tonnes based on assay data and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

10. TRADE AND OTHER PAYABLES

Accounting Policies

Trade payables

Trade and other payables are initially recognised at the value of the invoice received from a supplier and subsequently measured at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and generally paid within 30 days of recognition.

Current	2019 US$'000	2018 US$'000
Trade payables and accrued expenses	18,196	25,514
Other payable	6,091	8,609
Payroll tax and other statutory payables	580	488
	24,867	**34,611**

11. FINANCIAL ASSETS

Accounting Policy

Financial assets are initially recognised when a member of the Group becomes a party to the contractual provisions of a financial instrument. These instruments are classified and measured in accordance with AASB9 Financial Instruments as outlined below.

Fixed Rate Note

On 7 August 2019, Galaxy Lithium (Sal de Vida) S.A. ("**GLSSA**") purchased a US$50 million 12-month ARS:USD fixed rate note with a coupon of 45.26% with the Goldman Sachs Group ("**Fixed Rate Note**") repayable on 10 August 2020. The Fixed Rate Note's specified currency is Argentinian Pesos ("**ARS**") and has been converted into USD when initially recognised on the balance sheet, when calculating the monthly coupon interest payments and when the repayment of the principal (ARS 2,204,000,000) is made on 10 August 2020.

Interest income is calculated on the ARS principal value of the Fixed Rate Note and payable monthly in USD at the spot rate. Interest income is recognised through the profit and loss.

As the Fixed Rate Note is held by GLSSA solely to receive payments of principal and interest, pursuant to AASB 9 the Fixed Rate Note is measured at amortised cost. The Fixed Rate Note does not contain impaired assets, is not past due and is expected to be received when due. All gains and losses on translation at 31 December 2019 into USD of this Fixed Rate Note are recognised through the profit and loss.

Current	2019 US$'000	2018 US$'000
Fixed Rate Note	36,812	-
	36,812	**-**

Equity Instruments

Equity instruments are normally measured at fair value through profit or loss ("**FVTPL**") unless the Group chooses, on an instrument-by-instrument basis on initial recognition, to present fair value changes in other comprehensive income ("**FVOCI**"). This option is irrevocable and only applies to equity instruments which are neither held for trading nor are contingent consideration in a business combination. Gains and losses on equity instruments measured at FVOCI are not recycled through profit or loss on disposal and there is no impairment accounting. All gains and losses are recorded in equity through other comprehensive income.

Non-Current	2019 US$'000	2018 US$'000
Financial assets at fair value through OCI – listed shares	5,448	15,538
Financial assets at fair value through OCI – unlisted shares	66	4
	5,514	**15,542**

Financial assets at fair value through Other Comprehensive Income ("OCI")

During the year, the Group made strategic investments through the on-market acquisition of shares and exercising of rights pursuant to a rights issue for another company.

In May 2019, Galaxy subscribed $15.6 million to acquire shares in Alita Resources Limited ("**Alita**"), increasing its holding in Alita to 12.22% at a cost of $31.1 million. The investment in Alita has been written down by US$26.3 million (2018:US$4.8 million) to $nil in other comprehensive income as the administrator is currently proceeding down the court process under section 444GA of the Corporations Law to acquire all the shares owned by Galaxy in Alita for nil value.

At balance date, the Group holds non-controlling interests in these companies which are carried at fair value determined with reference to the published price quoted on the ASX, an active market ("Level 1" fair value measurement for listed shares and "Level 3" for unlisted shares). These investments were irrevocably designated at FVOCI as the Group considers them to be strategic in nature.

Consolidated Financial Statement

KEY BALANCE SHEET ITEMS

This section shows the assets used to generate the Group's trading performance and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in the Capital and Risk Management section.

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Plant & Equip-ment	Mine development expenditure	Total
Cost	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2018	1,102	107,915	188,102	297,119
Additions	889	29,881	35	**30,805**
Disposals	-	(383)	-	**(383)**
Foreign exchange movement	(135)	(11,450)	(18,146)	**(29,731)**
Balance at 31 December 2018	**1,856**	**125,963**	**169,991**	**297,810**
Additions	314	4,736	7,578	**12,628**
Transfer from Exploration and Evaluation Assets	-	-	11,101	**11,101**
Rehabilitation provision adjustment	-	-	(1,465)	**(1,465)**
Disposals	-	(78)	-	**(78)**
Foreign exchange movement	(4)	(419)	(639)	**(1,062)**
Balance at 31 December 2019	**2,166**	**130,202**	**186,566**	**318,934**
Accumulated Depreciation				
Balance at 1 January 2018	-	(24,548)	(21,528)	**(46,076)**
Depreciation and amortisation	-	(14,541)	(31,098)	**(45,639)**
Disposals	-	201	-	**201**
Foreign exchange movement	-	3,162	3,916	**7,078**
Balance at 31 December 2018	**-**	**(35,726)**	**(48,710)**	**(84,436)**
Depreciation and amortisation	-	(10,610)	(17,787)	**(28,397)**
Impairment	-	(62,908)	(110,198)	**(173,106)**
Disposals	-	39	-	**39**
Foreign exchange movement	-	346	348	**694**
Balance at 31 December 2019	**-**	**(108,859)**	**(176,347)**	**(285,206)**
Net book value				
At 31 December 2018	1,856	90,237	121,281	213,374
At 31 December 2019	**2,166**	**21,343**	**10,219**	**33,728**

Accounting Policies

Property, plant and equipment

The value of property, plant and equipment is measured as the cost of the asset, less depreciation and impairment. The cost of the asset also includes the cost of replacing parts that are eligible for capitalisation, the cost of major inspections and an initial estimate of the cost of dismantling and removing the item from site at the end of its useful life (rehabilitation provisions). Changes in the rehabilitation provisions resulting from changes in the size or timing of the cost or from changes in the discount rate are also recognised as part of the asset cost.

Mine development expenditure

Development expenditure relates to 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). The value of mine development expenditure is measured at cost, less amortisation and impairment.

Mine development expenditure (continued)

Cost includes:

- 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.

These costs are capitalised to the extent they are expected to be recouped through the successful exploitation of the related mining lease and capitalisation ceases once the mining property is capable of commercial production. 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.

Derecognition

An item of property, plant and equipment or mine development expenditure is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no further economic benefits. Any gain or loss from derecognising the asset (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 derecognised.

Impairment

Property, plant and equipment (including mine development costs) is tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable (note 14).

The Group conducts an internal review of asset values at each reporting date, which is used as a source of information to assess for any indicators of impairment. Factors, such as changes in spodumene prices, production performance and costs are monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating unit or ("**CGU**").

Given the low price of spodumene during the half year to 30 June 2019 resulting in losses on each shipment and the weak outlook for spodumene prices in the short and medium term, it was determined that indicators of impairment of the Mt Cattlin CGU were present at 30 June 2019 and an impairment of US$123.5 million was made. Prices have continued lower in the second half of 2019 and it was determined that indicators of impairment of the Mt Cattlin CGU continued to be present at 31 December 2019.

The future recoverability of the property, plant and equipment (including mine development costs) is dependent on a number of key factors including: spodumene price, capex, life of mine, cost of production, discount rates used in determining the estimated discounted cash flows, foreign exchanges rates, tax rates, the level of proved and probable reserves and future legal changes, including changes to environmental restoration obligations.

At 31 December 2019, the Company has used a discounted cash flow ("**DCF**") analysis under the fair value less costs of disposal approach to assess the recoverable value of the Mt Cattlin CGU incorporating property, plant and equipment (including mine development costs) and right of use assets.

The following key assumptions were used in the DCF valuation of Mt Cattlin:

- Future production based on the life of mine ("**LOM**") plan.
- Spodumene price forecasts (real) ranging from $450/dmt to $570/dmt CIF China.
- Average future cash cost of production ranging from $304/dmt to $532/dmt.
- Discount rate (real post tax) applied to cash flow projections of 8.17%.

All inputs and assumptions used in the model were level 3 fair value inputs. The carrying value of the Mt Cattlin CGU before impairment charges was US$217.8 million. After determining the fair value of Mt Cattlin using the DCF analysis, Galaxy has determined that the recoverable amount of the Mt Cattlin CGU was US$28.9 million which was less than its carrying value and therefore an impairment has been recognised as follows:

	2019 US$'000	2018 US$'000
Impairment at 30 June – Property, plant and equipment	123,472	-
Impairment at 31 December – Property, plant and equipment	49,634	-
	173,106	**-**
Impairment at 31 December – Right of use assets (note 16)	15,799	-
	188,905	**-**

Impairment (continued)

The Group considered a number of sensitivities in assessing the recoverable amount as at 31 December 2019. The Group does consider certain assumptions to have a more significant impact on the assessment of the recoverable value. The cashflow estimates are most sensitive to changes in spodumene prices. It is estimated that an increase in the forecast CIF China (real) spodumene price by 10% whilst maintaining all other assumptions would, in itself, result in a reversal of the impairment by $31.4 million.

13. EXPLORATION AND EVALUATION ASSETS

Accounting Policy

Recognition and measurement

Exploration and evaluation expenditure is accumulated on an area of interest basis. Exploration and evaluation assets include the costs of acquiring licenses, costs associated with exploration and evaluation activity and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Expenditure is carried forward when incurred for areas for which the Group has rights of tenure and where economic mineralisation is indicated, but activities have not yet 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. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the statement of comprehensive income.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine development expenditure within property, plant and equipment. Amortisation is not charged during the evaluation phase.

Impairment

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to the cash-generating units ("**CGUs**") to which the exploration activity relates. The CGU is not larger than the area of interest.

Derecognition

An area of interest (in whole or part) is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no further economic benefits. Any gain or loss from derecognising the asset (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 derecognised.

Cost	Australia-Other US$'000	Australia-Mt Cattlin US$'000	Argentina-Sal de Vida US$'000	Canada-James Bay US$'000	Total US$'000
Balance at 1 January 2018	**37**	**4,536**	**90,462**	**6,994**	**102,029**
Additions	38	4,184	25,517	7,000	**37,908**
Acquisitions	-	709	-	-	**709**
Disposals	(38)	-	(56,975)[(a)]	-	**(57,013)**
Foreign exchange movement	(4)	(646)	(370)	(969)	**(1,989)**
Balance at 31 December 2018	**33**	**8,783**	**59,803**	**13,025**	**81,644**
Additions	27	2,359	8,413	5,039	**15,838**
Rehabilitation provision adjustment	-	-	1,169	-	**1,169**
Transfer to mine properties	-	(11,101)	-	-	**(11,101)**
Foreign exchange movement	(1)	(41)	237	772	**967**
Balance at 31 December 2019	**59**	**-**	**69,622**	**18,836**	**88,517**

(a) Sale of Northern tenements to POSCO

During the year ended 31 December 2018, Galaxy sold a package of tenements located on the northern area of the Salar del Hombre Muerto in Argentina, for cash consideration of US$280 million to POSCO. The tenement package is situated to the north of Sal de Vida and contains lithium carbonate equivalent ("**LCE**") JORC compliant measured, indicated and inferred resources. The amount derecognised from the carrying value of Sal de Vida exploration and evaluation assets of US$42.4 million represents the pro-rata share of the carrying value of exploration and evaluation assets based on

Derecognition (continued)

LCE measured, indicated and inferred resources sold to POSCO. The table below details the pre-tax net gain on sale recognised in the statement of profit or loss as a result of this transaction in 2018:

	2018 US$'000
Proceeds on sale	280,000
Transaction costs	(5,775)
Turnover taxes paid	(8,762)
Carrying value of exploration and evaluation assets sold	(42,438)
Total exploration and evaluation asset cost derecognised on disposal	**(56,975)**
Gain on sale – pre tax	**223,025**

The amount receivable from the sale of exploration assets disclosed in note 8 of US$271.6 million represents the total sale proceeds of US$280 million less withholding tax paid in Argentina of US$8.4 million. This withholding tax payment is the first instalment of income tax payable.

In late November 2018, Galaxy announced that the final tenement transfer deeds relating to the sale of the northern tenement package had been executed with POSCO. Registration of the Catamarca tenement transfers with the Catamarca Mining Court was completed on 28 December 2018. Registration of the Salta tenement transfers with the Salta Mining Court was completed on 21 February 2019. Galaxy received US$257.05 million (after deduction of withholding tax of US$7.95 million paid in November 2018) in sale proceeds from escrow on 25 February 2019 and the remaining US$14.55 million (after deduction of withholding tax of US$0.45 million paid in November 2018) in sale proceeds from POSCO on 1 March 2019. The total withholding tax payment of US$8.4 million is the first instalment of income tax payable. Galaxy paid the balance of the income tax payable in Argentina for the year ended 31 December 2018 of $54.26 million in May 2019.

Key estimates and assumptions
Impairment of exploration and evaluation assets
Determining the recoverability of exploration and evaluation assets capitalised in accordance with the Group's accounting policy 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 (note 14), 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.

14. IMPAIRMENT OF NON-FINANCIAL ASSETS

Accounting Policy

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 utilised 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.

Critical judgements

Impairment of non-financial assets, impairment reversals

The recoverable amount of each non-financial asset or 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. 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.

Key estimates and assumptions

Ore reserves and resources

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 prepares 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.

15. PROVISIONS

Accounting Policy

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.

Provision for rehabilitation

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site rehabilitation 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.

When the liability is initially recognised, the estimated cost is capitalised by increasing the carrying amount of the related mining assets. At each reporting date the site rehabilitation provision is re-measured to reflect any changes in discount rates and timing or amounts of the costs to be incurred. Additional disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation provision, prospectively from the date of change. For closed sites, or where the carrying value of the related asset has been reduced to nil either through depreciation and amortisation or impairment, changes to estimated costs are recognised immediately in profit or loss.

Employee entitlements

A current liability is recognised for the amount expected to be paid to an employee for annual leave they are presently entitled to as a result of past service. The liability includes allowances for on-costs such as superannuation and payroll taxes, as well as any future salary and wage increases that the employee may reasonably be entitled to.

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service up to reporting date, plus related on costs. The benefit is discounted to determine its

Employee entitlements (continued)

present value and the discount rate is the yield at reporting date on high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

		2019 US$'000	2018 US$'000
Current			
Employee benefits		953	719
Rehabilitation	*(a)*	5,897	5,850
Other		72	-
		6,922	**6,569**
Non-current			
Employee benefits		64	50
Rehabilitation	*(a)*	4,609	4,912
		4,673	**4,962**
(a) Provision for rehabilitation			
Balance at 1 January		**10,762**	**8,297**
Additional provision charged to property, plant and equipment		(269)	34
Charged/(credited) to profit or loss:			
Additional provisions recognised		-	2,636
Unwinding of discount		65	111
Amounts used during the year		(373)	(29)
Foreign exchange movement		321	(287)
		10,506	**10,762**

Nature and purpose of provision for rehabilitation

Non-current provisions mainly relate to the Group's rehabilitation obligations in Australia and Canada. Such activities include dismantling infrastructure, removal and treatment of waste material, and land rehabilitation, including recontouring, top soiling and revegetation of the disturbed area.

Australia

A provision of US$2,914,000 (2018: US$4,348,000) has been recognised in respect of the rehabilitation obligations for Mt Cattlin.

Canada

A provision of US$5,897,000 (2018: US$5,850,000) has been recognised in respect of the restoration of the tailings site at a former Lithium One Inc. mining site in Canada. Subject to negotiations with government authorities in Québec, the rehabilitation is expected to commence in late 2020.

Argentina

A provision of US$1,695,000 (2018: US$565,000) has been recognised in respect of the rehabilitation obligations for Sal de Vida.

Key estimates and assumptions

Rehabilitation obligations

Determining the cost of rehabilitation, decommissioning and restoration of the area disturbed during mining activities 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.

16. LEASES

The Group has adopted AASB 16 with effect from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

a) Accounting Policy

The Group leases various offices, plant and equipment. Prior to FY2019, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The weighted average interest rate was 4.75% during the year. The right-of-use asset is depreciated over the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessees is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option

Right-of-use assets are measured at cost comprising:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less and lease incentives received;
- any initial direct costs; and
- an estimate of restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. If the group is reasonably certain to exercise a purchase option, the right of use asset is depreciated over the underlying assets useful life.

Set out below is a summary of the amounts disclosed in the Consolidated Statement of Financial Position:

	31 December 2019 US$'000	1 January 2019 US$'000
Lease liability		
Current	6,572	6,242
Non-current	18,205	24,729
	24,777	**30,971**
Right of use assets		
Properties	831	1,207
Equipment	7,571	29,764
	8,402	**30,971**

b) Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lease payments are discounted using the lessee's incremental borrowing rate. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.75%.

b) Adjustments recognised on adoption of AASB 16 (continued)

	2019 US$'000
Operating lease commitments disclosed as at 31 December 2018	2,097
Discounted using the lessee's incremental borrowing rate of at the date of initial application	1,616
Add: new lease liabilities recognised under AASB 16	29,764
(Less): short-term leases recognised on a straight-line basis as expense	(42)
(Less): low-value leases recognised on a straight-line basis as expense	(367)
Lease liability recognised as at 1 January 2019	**30,971**
Split between:	
Current lease liabilities	6,242
Non-current lease liabilities	24,729
	30,971

The impact on the Group Consolidated Statement of Comprehensive Income is:	2019 US$'000
Decrease in operating lease expense	7,513
Increase in borrowing cost	(1,319)
Increase in Right of use assets depreciation	(6,770)
Decrease in profit before tax	(576)
Decrease in income tax expense	173
Decrease in profit after tax	**(403)**

The impact on the Group's segment disclosure is:

	Corporate US$'000	Australia US$'000	Argentina US$'000	Canada US$'000	Consolidated US$'000
Right of use assets					
Recognised on adoption	1,207	29,764	-	-	30,971
Accumulated amortisation	(376)	(6,394)	-	-	(6,770)
Impairment	-	(15,799)	-	-	(15,799)
As at 31 December 2019	**831**	**7,571**	-	**-**	**8,402**
Lease liabilities					
Recognised on adoption	1,207	29,764	-	-	30,971
Interest expense	49	1,270	-	-	1,319
Payments	(391)	(7,122)	-	-	(7,513)
As at 31 December 2019	**865**	**23,912**	**-**	**-**	**24,777**

Segment assets and segment liabilities at 1 January 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities and right of use assets are now included in segment assets.

Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Consolidated Financial Statement

TAXATION

17. INCOME TAX

Accounting Policy

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

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

A reconciliation between tax expense and the product of accounting profit before tax multiplied by the group's applicable income tax rate is as follows:		2019 US$'000	2018 US$'000
Accounting profit / (loss) before income tax		(231,483)	235,802
At Australia's statutory income tax rate of 30% (2018:30%)		69,445	(70,740)
Tax effect of amounts which are not (deductible)/taxable in calculating taxable income:			
Non-deductible costs of tenement sale		-	(6,779)
Share-based payments		(286)	(907)
Other non-deductible expenses		(99)	(3,157)
Other overseas assessable income		(12,094)	-
Tax effect on temporary differences brought to account		-	-
Current period tax losses not recognised		(4,157)	(1,579)
Impairment not recognised in income tax		(63,790)	-
Derecognition of deferred tax assets	*(a)*	(33,344)	-
Dividend withholding tax		(7,494)	-
Adjustments in respect of income tax of previous years		(440)	(1,828)
Foreign exchange		-	(589)
Income tax (expense) reported in the statement of comprehensive income		**(52,259)**	**(85,579)**
The components of income tax expense are:			
Current income tax (expense)		(18,915)	(77,199)
Deferred income tax (expense)		(33,344)	(8,380)
		(52,259)	**(85,579)**

(a) Deferred tax assets of US$33.3 million (2018: Nil) have been derecognised in relation to unused tax losses, due to insufficient taxable income being forecast in the future from the Mt Cattlin operations to utilise these carried forward tax losses.

Deferred Tax

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 income tax liabilities are recognised for all taxable temporary differences, other than for the exemptions permitted under accounting standards. At 31 December 2019 there are no unrecognised temporary differences associated with the Group's investment in subsidiaries (2018: US$nil).

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that future taxable profits will be available to utilise these deductible temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by reporting date.

Deferred Tax (continued)

Deferred tax assets and liabilities are only 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.

Recognised deferred tax assets and liabilities

Deferred tax at 31 December years relates to the following:

		2019 US$'000	2018 US$'000
Deferred tax liabilities			
Receivables		-	80
Inventory		-	1,920
Prepayments and other current assets		-	30
Property, plant and equipment		-	9,027
Right of use assets		7,260	-
Exploration and evaluation expenditure		-	1,900
Unrealised foreign exchange gains		-	2,215
Gross deferred tax liabilities		7,260	15,172
Set off of deferred tax liabilities		(7,260)	(15,172)
Net deferred tax liabilities		**-**	**-**
Deferred tax assets			
Financial assets		3,956	850
Payables		-	94
Provisions		3,479	1,504
Expenses deductible over time		274	376
Lease liability		7,433	-
Impairment not recognised in income tax		63,790	-
Tax losses carried forward		49,850	45,692
Gross deferred tax assets		**128,782**	**48,516**
Set off of deferred tax liabilities		(7,260)	(15,172)
Impairment not recognised in income tax		(63,790)	-
Deferred tax assets derecognised	*(a)*	(33,344)	-
Deferred tax assets not brought to account		(24,388)	-
Net deferred tax assets		**-**	**33,344**

(a) Deferred tax assets of US$33.3 million (2018: Nil) have been derecognised in relation to unused tax losses, due to insufficient taxable income being forecast in the future from the Mt Cattlin operations to utilise these carried forward tax losses.

Key estimates and assumptions
Recoverability and measurement of current and deferred tax assets
Recognition of deferred tax assets, including those related to tax losses, depends on management's expectation of future taxable profit that will be available against which the tax losses can be utilised and the application of existing tax laws in each relevant jurisdiction. Actual utilisation 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.

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 September 2016, General Mining Corporation Limited entered the tax consolidated group. The head entity of the tax consolidated group is Galaxy Resources Limited.

Members of the tax consolidated group have entered into a tax sharing arrangement in order to allocate income tax

Tax consolidation (continued)

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.

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 or decrease in the controlled entities' intercompany accounts with the tax consolidated group head company, Galaxy Resources Limited.

Other Taxes

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.

UNRECOGNISED ITEMS

This section of the notes provides information about items that are not recognised in the financial statements as they do not satisfy the recognition criteria.

18. COMMITMENTS AND CONTINGENCIES

Capital Commitments

Mining tenements

In order to maintain current rights of tenure to mining tenements, the Group will be required to perform 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.

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

	2019 US$'000	2018 US$'000
Within one year	743	2,747
More than one year but less than five years	2,971	6,966
	3,714	**9,713**

Contingent Assets and Liabilities

Contingent Assets

The Group had no material contingent assets at 31 December 2019 (31 December 2018: Nil) or at the date of this report.

Contingent Liabilities

The Group had no material contingent liabilities at 31 December 2019 (31 December 2018: Nil) 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.

19. EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matters 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 23 January 2020, the Company issued a total of 7,528,036 performance rights to employees

OTHER DISCLOSURES

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

20. SHARE BASED PAYMENTS

The Group provides benefits to employees and Directors of the Group through share-based incentives. Employees are paid for their services or incentivised for their performance in part through options, share appreciation rights ("**SARs**") or performance rights. The expense arising from these transactions, recognised in Administration Expenses in the profit or loss during the year, was US$920,000 (2018: US$2,920,000). All share-based incentives granted and outstanding during the year are equity-settled.

Accounting Policy

Equity-settled transactions

The cost of equity-settled transactions with employees is measured using their fair value at the date at which they are granted. In determining the fair value, no account is taken of any performance conditions other than those linked to the price of the shares of Galaxy Resources Limited (market conditions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which any performance conditions (excluding market conditions) are met (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the proportion of the awards that are expected to ultimately vest. No expense is recognised for awards that do not ultimately vest due to a performance condition not being met. The expense is recognised in full if the awards do not vest (or are not exercised) due to a market condition not being met.

Where the terms of an equity-settled award are modified an expense is recognised as if the terms had not been modified. Any increase in the value of the transaction as a result of the modification is recognised as an additional expense. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised is recognised immediately, unless a new award is designated as a replacement, in which case it is treated as a modification as described above.

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.

Group Share-based Incentive Schemes

Long Term Incentive Plan ("LTIP")

The Galaxy Resources LTIP was approved by shareholders at the AGM held on 29 May 2015 and provides for the issue of SARs and performance rights to assist in the recruitment, reward, retention and motivation eligible persons of the Group. Under the LTIP the Board may issue eligible persons with SARs or performance rights to acquire shares in the future at an exercise price fixed by the Board on grant of the rights. The vesting of all SARs or performance rights is subject to service conditions being met whereby the recipient must meet the eligible employee criteria in the LTIP, as well as any other vesting conditions determined by the Board at grant date. SARs expire at the earlier of 5 years from vesting date or any other date determined by the Board and specified at the time of grant.

There were no grants of SARs under the LTIP during the current year (2018: Nil SARs).

On 1 July 2019 a total of 150,000 performance rights (convertible into one ordinary share per right) were granted to Simon Hay upon commencement as Chief Executive Officer. 50,000 performance rights will vest on each of 30 June 2020, 2021 and 2022 subject to ongoing employment at the time of vesting. These performance rights were issued subject to the terms of the LTIP. The valuation was performed using a Black Scholes model with the following assumptions:

		2019	2018
Number		150,000	-
Dividend yield (%)		-	-
Expected volatility (%)	(b)	48.8% – 102.9%	-
Risk free interest rate (%)		0 – 1%	-
Expected life of options (years)	(a)	1 – 3 years	-
Rights exercise price (A$)		-	-
Weighted average share price at grant date (A$)		$1.32	-
Weighted average fair value at grant date (A$)		$1.32	-

Long Term Incentive Plan ("LTIP") (continued)

(a) The expected life is based on historical data and is not necessarily indicative of exercise patterns that may occur.
(b) The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

Incentive Option Plan ("IOP")

The Galaxy Resources IOP was approved by shareholders at the AGM on 18 May 2017 and provides for the issue of options to assist in the recruitment, reward, retention and motivation of eligible persons of the Group. Under the IOP, the Board may issue eligible participants with options to acquire shares in the future at an exercise price that is fixed by the Board on grant of the options. The vesting of all options is subject to service conditions being met whereby the recipient must meet the eligible participant criteria in the IOP, as well as any other vesting conditions determined by the Board at grant date.

During the current year ended 31 December 2019, there were no options granted under the IOP. In the year ended 31 December 2018 there were 900,000 options issued with the following vesting conditions:

Tranche	%	Vesting Condition
A	30	26 March 2019 being 12 months continuous employment or service from date Option is granted
B	30	26 March 2020 being 24 months continuous employment or service from date Option is granted
C	40	Upon the Directors of the Company deciding to develop the Company's Sal de Vida Project or James Bay Project

The valuation was performed using a Black Scholes model with the following assumptions:

		2019	2018
Number		-	900,000
Dividend yield (%)		-	0%
Expected volatility (%)	(b)	-	61.9% - 75.8%
Risk free interest rate (%)		-	0% – 2.11%
Expected life of options (years)	(a)	-	1 – 3 years
Option exercise price (A$)		-	$3.660
Weighted average share price at grant date (A$)		-	$3.230
Weighted average fair value at grant date (A$)		-	$1.016

(a) The expected life is based on historical data and is not necessarily indicative of exercise patterns that may occur.
(b) The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

There have been no cancellations or modifications to any of the plans during the current or prior years.

Movements During the Year

The following table illustrates the number and weighted average exercise price ("**WAEP**") of, and movements in, share options during the year (excluding SARs):

		2019		2018	
		WAEP A$	Number	WAEP A$	Number
Outstanding at the beginning of the year		2.81	15,375,000	2.47	19,475,000
Exercised during the year	(a)	-	-	0.87	(3,125,000)
Forfeited during the year		2.78	(1,575,000)	2.97	(1,875,000)
Granted during the year		-	-	3.66	900,000
Outstanding at the end of the year		**2.81**	**13,800,000**	**2.81**	**15,375,000**
Exercisable at the end of the year		**2.80**	**11,530,000**	**2.78**	**11,250,000**

(a) The weighted average share price at the date of exercise of these options was Nil as no options were exercised (2018: A$3.75)
The weighted average remaining contractual life for the share options outstanding as at 31 December 2019 was 0.5 years (2018: 1.5 years).
The weighted average fair value of options granted during the year was Nil as no options were issued (2018: A$1.016).
The range of exercise prices for options outstanding at the end of the year was A$2.78 to A$3.66 (2018: A$2.78 to A$3.66).

Options, performance rights and SARs outstanding at 31 December 2019

	Exercise Price A$	Expiry Date	Vested	Unvested	Total
Unlisted options	2.78	14 June 2020	11,230,000	2,070,000	13,300,000
Unlisted options	3.66	1 May 2021	300,000	200,000	500,000
SARs	n/a	4 – 6 years	400,000	-	400,000
Performance rights	n/a	1 - 3 years	-	150,000	150,000

Options, performance rights and SARs outstanding at 31 December 2018

	Exercise Price A$	Expiry Date	Vested	Unvested	Total
Unlisted options	2.78	14 June 2020	11,250,000	3,625,000	14,875,000
Unlisted options	3.66	1 May 2021	-	500,000	500,000
SARs	n/a	4 – 6 years	2,500,000	400,000	2,900,000

Key estimates and assumptions

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.

Shares

Shares in lieu of payment

During the current year, 137,000 shares were issued to consultants in lieu of cash settlement for outstanding invoices (2018: Nil).

21. RELATED PARTY TRANSACTIONS

Key Management Personnel Remuneration

	2019 US$	2018 US$
Salaries and other short-term emoluments	1,901,965	2,165,463
Contributions to retirement benefit schemes	57,171	69,602
Termination payments	-	142,917
Share-based payments	624,066	1,908,273
	2,583,202	**4,286,255**

Detailed remuneration disclosures are provided in the Remuneration Report on pages 39-48.

Other Directors' Interests

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

	Purchases from related parties US$	Amounts owed to related parties US$
Key management personnel of the Group:		
Other director's interests - 2019	406,929	47,500
Other director's interests - 2018	902,064	347,355

Amounts owed to related parties are included within trade payables (note 10).

22. PARENT ENTITY DISCLOSURE

The following information relates to the parent entity, Galaxy Resources Limited, as at and for the year ended 31 December 2019. The information presented here has been prepared using consistent accounting policies as detailed in the relevant notes of this report.

	2019 US$'000	2018 US$'000
Result of the parent entity		
Profit / (loss) for the year	(301,936)	14,878
Other comprehensive income / (loss)	(23,466)	(57,412)
Total comprehensive income for the year	**(325,402)**	**(42,534)**
Financial position of parent entity at year end		
Current Assets	46,731	49,954
Total Assets	**79,491**	**411,416**
Current Liabilities	4,467	5,159
Total Liabilities	**4,999**	**5,201**
Total equity of the parent entity comprising:		
Contributed equity	674,091	673,801
Reserves	(19,003)	4,910
Accumulated losses	(580,594)	(272,498)
Total Equity	**74,494**	**406,213**

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 23 for further details.

23. DEED OF CROSS GUARANTEE

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 ("**ASIC Instrument**"), relief has been granted to Galaxy Lithium Australia Limited ("**GLAL**") 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 ASIC Instrument, the Company and GLAL entered into a Deed of Cross Guarantee ("**Deed**") on 19 September 2011. A variation deed was entered into on 20 December 2016 between the Company, GLAL and GMM ("**Closed Group**"). The effect of this Deed is that the Company and other members of the Closed Group guarantee 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.

Consolidated Financial Statement

Deed of cross guarantee (continued)

The consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position, of the entities that are members of the Closed Group, after eliminating all intra-Group transactions, are as follows:

Consolidated Statement of Comprehensive Income

	2019 US$'000	2018 US$'000
Revenue	69,515	153,929
Finance income	1,836	813
Other income	-	861
Operating costs	(80,898)	(128,507)
Administration costs	(4,375)	(5,085)
Employment costs	(7,364)	(9,082)
Depreciation	(208)	(116)
Finance costs	(2,260)	(533)
Foreign exchange loss	(755)	8,311
Other expenses	(447)	(391)
Impairment of Property, Plant & Equipment and Inventory writedown	(196,744)	-
Profit / (loss) before taxation	**(221,700)**	**20,200**
Income tax (expense) / benefit	(33,207)	(9,321)
Profit / (loss) after taxation	**(254,907)**	**10,879**
Other comprehensive income / (loss)	(23,466)	(48,078)
Total comprehensive income for the year	**(278,373)**	**(37,199)**

Consolidated Statement of Financial Position

	2019 US$'000	2018 US$'000
CURRENT ASSETS		
Cash and cash equivalents	14,834	21,957
Trade and other receivables	9,577	7,014
Inventories	27,752	16,708
Other current assets	1,107	1,033
Total Current Assets	**53,270**	**46,712**
NON-CURRENT ASSETS		
Property, plant and equipment	25,546	210,160
Right of use assets	8,402	-
Exploration and evaluation assets	497	9,143
Financial assets	5,514	15,542
Trade and other receivables	18,123	59,194
Investments in subsidiaries	67,205	67,205
Deferred tax assets	-	33,344
Total Non-Current Assets	**125,287**	**394,588**
Total Assets	**178,557**	**441,300**
CURRENT LIABILITIES		
Trade and other payables	36,899	24,759
Lease liabilities	6,572	-
Provisions	872	591
Total Current Liabilities	**44,343**	**25,350**

Deed of cross guarantee (continued)

	2019 US$'000	2018 US$'000
NON-CURRENT LIABILITIES		
Lease liabilities	18,205	-
Provisions	2,979	4,397
Total Non-Current Liabilities	**21,184**	**4,397**
Total Liabilities	**65,527**	**29,747**
Net Assets	**113,031**	**411,553**
CAPITAL AND RESERVES		
Contributed equity	674,091	673,801
Reserves	(12,896)	13,117
Accumulated losses	(548,164)	(275,363)
Total Equity	**113,031**	**411,553**

24. INTERESTS IN OTHER ENTITIES

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

Name of company	Country of Incorporation	% Equity Interest 2019	% Equity Interest 2018	Principal activity
Galaxy Lithium Australia Limited	Australia	100%	100%	Mining of Mt Cattlin spodumene
General Mining Corporation Limited	Australia	100%	100%	Mining of Mt Cattlin spodumene
Galaxy Lithium (Ontario) Inc.	Canada	100%	100%	James Bay exploration
Galaxy Lithium (Canada) Inc.	Canada	100%	100%	James Bay exploration
Galaxy Lithium (Sal de Vida) S.A.	Argentina	100%	100%	Sal de Vida exploration and development
Galaxy Resources International Limited	Hong Kong	100%	100%	Investment holding company
Galaxy Lithium Holdings BV	The Netherlands	100%	100%	Investment holding company
Galaxy Lithium One Inc.	Canada	100%	100%	Investment holding company
Galaxy Lithium One (Québec) Inc.	Canada	100%	100%	Dormant
Galaxy Lithium (Colorado) Inc.	United States	100%	100%	Dormant
Galaxy Lithium (US) Inc.	United States	-	100%	Dissolved during the year
Golden Cross Company LLC	Mongolia	-	100%	Dissolved during the year

All entities utilise the functional currency of the country of incorporation with the exception of Galaxy Lithium (Sal de Vida) S.A. which utilises US dollars.

25. AUDITOR'S REMUNERATION

The auditor of Galaxy Resources Limited is PricewaterhouseCoopers ("**PwC**") Australia.

	2019 US$	2018 US$
Amounts received or due and receivable by PwC Australia for:		
An audit or review of the financial report of the entity an any other entity in the consolidated group	167,283	210,463
Non-audit services in relation to the entity and any other entity in the consolidated group		
Tax compliance	15,644	10,008
Total	**182,927**	**220,471**
Amounts received or due and receivable by related practices of PwC Australia for:		
An audit or review of financial reports of subsidiaries	100,749	105,469
Non-audit services in relation to subsidiaries	61,740	-
Tax compliance	139,215	410,549
Total	**301,704**	**516,018**
Total auditor's remuneration	**484,631**	**736,489**

26. NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

Changes in Accounting Policies

The Group applied AASB 16 "Leases" for the first time from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group.

AASB 16 Leases

AASB 16 introduces new framework for accounting for leases and will replace AASB 117 Leases, AASB Interpretation 4 Determining whether an Arrangement contains a Lease, AASB Interpretation 115 Operating Leases-Incentives and AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees is required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees is required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in the future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Transition to AASB 16

The Group has evaluated the impact of current lease arrangements for the lease of office buildings, storage facilities, equipment and other assets. The impact on the balance sheet on this date was an increase in lease related assets, and an increase in lease liabilities of US$31.0 million.

The Group has implemented the new standard effective from 1 January 2019

New Standards and Interpretations Issued but Not Yet Effective

Australian Accounting Standards and Interpretations that are issued, but are not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new standards and interpretations, if applicable, when they become effective.

AASB 2018-7 Amendments to Australian Accounting Standards –Definition of Material [AASB 101 and AASB 108] (Effective 1 January 2020)

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business [AASB 3] (Effective 1 January 2020)

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

Revised Conceptual Framework for Financial Reporting AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework (Effective 1 January 2020)

The AASB has issued a revised Conceptual Framework which will initially only apply to for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards (AAS), and to other for-profit entities that elect to apply it. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting reinstating prudence as a component of neutrality;
- defining a reporting entity, which may be a legal entity, or a portion of an entity;
- revising the definitions of an asset and a liability;
- removing the probability threshold for recognition and adding guidance on derecognition;
- adding guidance on different measurement basis; and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

While no changes have been made to any of the current accounting standards, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020 if they have public accountability and are required by legislation to comply with AAS. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

The consequential changes made to other standards via AASB 2019-1 are designed to retain the previous Framework for the Preparation and Presentation of Financial Statements for entities that do not have to apply the revised Framework.

AASB 2014-10 Amendments to Australian Accounting Standards: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections (Effective 1 January 2022)

The AASB has made limited scope amendments to AASB 10 Consolidated financial statements and AASB 128 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the nonmonetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in AASB 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

Consolidated Financial Statement

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 50-93 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 2019 and its performance for the year ended on that date;

(b) the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in the notes to the financial statements on page 56.

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

(d) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 23 will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed of cross guarantee described in note 23.

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 2019.

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

Martin Rowley

Chairman

Dated in Perth on 20 February 2020.

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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 2019 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 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows 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 (including Independence Standards)* (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 Group owns three major assets located in Western Australia, Argentina and Canada. The Group has a single operating asset, located at Mt Cattlin in Western Australia, which is mining for spodumene concentrate before it is shipped to customers. The Group is progressing the exploration and development activities in Canada and Argentina. The accounting processes are structured around a Group finance function at its corporate head office in Perth, where we predominantly performed our audit procedures.

Materiality

- For the purpose of our audit we used overall Group materiality of US$3,100,000 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 only has one of its three key assets operating in commercial production, 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 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 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.

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*
Impairment assessment for Mt Cattlin *(Refer to note 12) US$188,905,000* The Group performed an assessment for impairment indicators across its cash generating units (CGUs) given this is required by Australian Accounting Standards. During the year, the Group identified indicators of impairment for the Mt Cattlin CGU due to the low price of spodumene concentrate and the weak outlook for spodumene concentrate in the short and medium term. As a result, the Group performed an impairment assessment at the half year ended 30 June 2019 and at the year ended 31 December 2019. These assessments resulted in an impairment charge of US$123,472,000 at 30 June 2019 and a further charge of US$65,433,000 at 31 December 2019. The Group also derecognised US$33,344,000 of deferred tax assets relating to carried forward tax losses. As part of the impairment assessment, the Group made significant judgements about assumptions, such as: • Spodumene concentrate pricing • reserve and resource estimates and production and processing volumes • operating costs, capital costs for future developments, foreign exchange rates and inflation rates • discount rates This was a key audit matter due to Mt Cattlin being the largest non-current asset on the statement of financial position and the judgements and assumptions made in determining whether there were any impairment	We evaluated the Group's assessment of whether there were any indicators of asset impairment at 31 December 2019 for its CGUs, including considering whether there were any further impairment indicators for these CGUs which had not been considered by the Group. We performed the following procedures on the Group's impairment assessment for the Mt Cattlin CGU: • assessed whether the Mt Cattlin CGU appropriately included all directly attributable assets and liabilities • considered whether the discounted cash flow model used to estimate the 'fair value less costs of disposal' (the impairment model) was consistent with the basis required by Australian Accounting Standards • assessed whether forecast cash flows used in the impairment model were consistent with the most recent budgets approved by the directors • assessed whether the forecast cash flows used in the impairment model were reasonable and based on supportable assumptions by: ○ comparing spodumene concentrate pricing data used in the impairment model to external industry forecasts ○ comparing the forecasted cash flows to actual cash flows for previous years to assess the accuracy of the Group's forecasting ○ comparing foreign exchange rate and inflation rate assumptions in the impairment model to

Key audit matter	How our audit addressed the key audit matter
indicators, and the resulting estimates of the recoverable amount.	current economic forecasts ○ assessing the Group's discount rate calculations, including having regard to the inputs utilised in the Group's weighted average cost of capital such as peer company betas, risk free rate and gearing ratios, assisted by PwC valuation experts ● performed a sensitivity analysis on the key assumptions utilised in the impairment model ● performed tests of the mathematical accuracy of the impairment model's calculations on a sample basis ● evaluated the adequacy of the disclosures made in note 12 including those regarding key assumptions used in the impairment assessment, in light of the requirements of Australian Accounting Standards.
Operating sales revenue *(Refer to note 2) US$69,514,000* Revenue totalling US$66,338,000 was recognised during the year in relation to sales of spodumene to customers and US$3,176,000 related to shipping activities associated with these sales. One sale recognised during the period was subject to a bill-and-hold arrangement. A bill-and-hold arrangement is where the customer has been billed for spodumene concentrate that is ready for delivery but will not be physically delivered until a later date. This was a key audit matter as the recognition of revenue, particularly in relation to the bill-and-hold arrangement, required judgement to determine if all the criteria had been met for the transaction to have been recognised as revenue during the current reporting period.	We performed the following audit procedures, amongst others, over revenue recognition, with a focus on the customer contract with a bill-and-hold arrangement: ● Inspected the customer contract and subsequent amendments ● Evaluated the Group's assessment of the bill-and-hold arrangement in accordance with AASB 15 *Revenue from Contracts with Customers* by assessing whether: ○ the bill-and-hold arrangement was substantive by assessing the factors that lead to the spodumene concentrate not being shipped during the financial year ○ the spodumene concentrate was separately identifiable as belonging to the customer and ready to ship from the Group's Esperance storage facilities at year end ○ the terms of the arrangement did not permit the Group to direct the product to another customer ○ recognition of the sale as revenue in current reporting period was appropriate.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2019 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.

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

In connection with our audit of the financial report, our responsibility is to read the other information 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, 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 the *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:

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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 40 to 48 of the directors' report for the year ended 31 December 2019.

In our opinion, the remuneration report of Galaxy Resources Limited for the year ended 31 December 2019 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

Douglas Craig
Partner

Perth
20 February 2020

ASX ADDITIONAL INFORMATION

- Top twenty holders of ordinary shares
- Substantial Shareholders
- Range of securities
- Voting rights
- Unmarketable parcels
- Restricted and escrowed securities
- On-market buy-back
- Mineral Resources and Ore Reserves
- Controls and Governance
- Competent Persons Statements

ASX ADDITIONAL INFORMATION

The information set out below was current as at 13 March 2020.

TOP TWENTY HOLDERS OF ORDINARY SHARES

Rank	Shareholder	Number of Ordinary Shares Held	% of issued capital
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	47,455,810	11.59
2.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	33,091,827	8.08
3.	CITICORP NOMINEES PTY LIMITED	25,715,543	6.28
4.	NATIONAL NOMINEES LIMITED	14,034,785	3.43
5.	NERO RESOURCE FUND PTY LTD <NERO RESOURCE FUND A/C>	7,183,442	1.75
6.	MR ANTHONY PETER TSE	6,562,043	1.60
7.	CREAT RESOURCES HOLDINGS LIMITED	6,496,983	1.59
8.	SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA A/C>	4,306,329	1.05
9.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	3,664,954	0.90
10.	CITOS SUPER PTY LTD <CITOS PTY LTD SF A/C>	3,500,000	0.85
11.	BNP PARIBAS NOMS PTY LTD <DRP>	3,461,882	0.85
12.	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	3,329,173	0.81
13.	RHB SECURITIES SINGAPORE PTE LTD <CLIENTS A/C>	2,485,900	0.61
14.	PURESTEEL HOLDINGS PTY LTD <RATTIGAN SUPER FUND A/C>	2,250,000	0.55
15.	HUICEN CAPITAL PTY LIMITED	2,210,228	0.54
16.	JAEGER INVESTMENTS PTY LTD <SHELLCOVE (NSW) A/C>	1,969,712	0.48
17.	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,838,327	0.45
18.	XUE INVESTMENTS PTY LIMITED <XUE FAMILY A/C>	1,809,110	0.44
19.	DEVELCO SUPERANNUATION P/L <DEVELCO SUPER FUND A/C>	1,770,000	0.43
20.	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,572,747	0.38
Total		**174,708,795**	**42.67**

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders as disclosed in substantial shareholding notices given to the Company are:

Name	Number of Ordinary Shares Held	% of issued capital
Ausbil Investment Management Limited	36,642,243	8.99
Credit Suisse Holdings (Australia) Limited	29,733,993	7.26

RANGE OF SHARES

Range	Total holders	Units	% of issued capital
1 to 1,000	8,830	4,487,987	1.10
1,001 to 5,000	8,912	23,780,624	5.81
5,001 to 10,000	3,004	23,381,170	5.71
10,001 to 100,000	3,517	100,612,176	24.57
100,001 and over	363	257,217,381	62.82
Total	**24,626**	**409,479,338**	**100.00**

RANGE OF UNLISTED OPTIONS EXERCISABLE AT $2.78 EACH ON OR BEFORE 14 JUNE 2020 (ISSUED UNDER INCENTIVE AWARD PLAN)

Range	Total holders	Units	% of options on issue
1 to 1,000	0	0	0.00
1,001 to 5,000	0	0	0.00
5,001 to 10,000	0	0	0.00
10,001 to 100,000	1	100,000	0.75
100,001 and over	13	13,170,000	99.25
Total	**14**	**13,270,000**	**100.00**

Note: 2,040,000 of these options have not yet vested.

RANGE OF UNLISTED OPTIONS EXERCISABLE AT $3.66 EACH ON OR BEFORE 1 MAY 2021 (ISSUED UNDER INCENTIVE AWARD PLAN)

Range	Total holders	Units	% of options on issue
1 to 1,000	0	0	0.00
1,001 to 5,000	0	0	0.00
5,001 to 10,000	0	0	0.00
10,001 to 100,000	0	0	0.00
100,001 and over	2	500,000	100.00
Total	**2**	**500,000**	**100.00**

Note: 350,000 of these options have not yet vested.

RANGE OF SHARE APPRECIATION RIGHTS (ISSUED UNDER LONG TERM INCENTIVE PLAN)

Range	Total holders	Units	% of SARs on issue
1 to 1,000	0	0	0.00
1,001 to 5,000	0	0	0.00
5,001 to 10,000	0	0	0.00
10,001 to 100,000	1	100,000	11.11
100,001 and over	4	800,000	88.89
Total	**5**	**900,000**	**100.00**

RANGE OF PERFORMANCE RIGHTS (ISSUED UNDER INCENTIVE AWARD PLAN)

Range	Total holders	Units	% of PRs on issue
1 to 1,000	0	0	0.00
1,001 to 5,000	0	0	0.00
5,001 to 10,000	0	0	0.00
10,001 to 100,000	16	379,985	4.95
100,001 and over	13	7,298,051	95.05
Total	**29**	**7,678,036**	**100.00**

Note: Issued in January 2020 as part of the Company's short term and long term incentive program. None of these Performance Rights have vested.

VOTING RIGHTS

Galaxy Resources Limited ordinary shares carry voting rights of one vote per share. There are no voting rights attaching to any other class of security.

UNMARKETABLE PARCELS

	Minimum Parcel Size	Holders	Units
Minimum $500.00 parcel at $0.7950 per share, being the closing market price on 13 March 2020.	629	5,908	1,901,905

RESTRICTED AND ESCROWED SECURITIES

The Company does not have any restricted securities or securities subject to voluntary escrow on issue.

ON-MARKET BUY-BACK

There is no current on-market buy-back.

MINERAL RESOURCES AND ORE RESERVES

The Mineral Resources and Ore Reserves for each of the Company's projects as at 31 December 2019 together with a summary of the results of the annual review are detailed below. Comparative tables from 31 December 2018 are provided for reference.

MT CATTLIN PROJECT

Mineral Resource as at 31 December 2019

Category		Tonnage Mt	Grade % Li_2O	Grade ppm Ta_2O_5	Contained Metal ('000) t Li_2O	Contained metal lbs Ta_2O_5
Measured	In-situ	1.0	1.36	210	13.6	463,000
Indicated	In-situ	6.2	1.44	167	90.0	2,296,000
	Stockpiles	3.0	0.93	121	27.9	800,000
Inferred	In-situ	4.4	1.30	156	57.2	1,484,000
Total		**14.6**	**1.29**	**157**	**188.0**	**5,043,000**

Notes: Depleted Mineral Resource – December 2019. Fresh reported at cut-off grade of 0.4% $Li_2$0. Transitional reported at cut-off grade of 0.6% $Li_2$0. The preceding statements of Mineral Resources conforms to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 edition. All tonnages reported are dry metric tonnes. Excludes mineralisation classified as oxide. Minor discrepancies may occur due to rounding to appropriate significant figures.

Ore Reserve as at 31 December 2019

Category		Tonnage Mt	Grade % Li_2O	Grade ppm Ta_2O_5	Contained Metal ('000) t Li_2O	Contained metal lbs Ta_2O_5
Proven	In-situ	0.8	1.42	213	11.4	376,000
Probable	In-situ	4.5	1.51	168	68.0	1,667,000
	Stockpiles	3.0	0.93	121	28.0	800,000
Total		**8.2**	**1.29**	**155**	**107.0**	**2,843,000**

Notes: Reported at cut-off grade of 0.4 % Li_2O. The preceding statements of Ore Reserves conforms to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 edition. All tonnages reported are dry metric tonnes. Excludes oxide. Transitional mineralisation included at cut-off grade 0.6 % Li_2O. Reported with 0% dilution and 92.5% mining recovery. Revenue factor US$650/tonne applied. Minor discrepancies may occur due to rounding to appropriate significant figures.

Mineral Resource as at 31 December 2018

Category		Tonnage Mt	Grade % Li_2O	Grade ppm Ta_2O_5	Contained Metal ('000) t Li_2O	Contained metal lbs Ta_2O_5
Measured	In-situ	2.2	1.32	208	29.8	1,009,000
Indicated	In-situ	7.2	1.43	165	102.9	2,620,000
	Stockpiles	2.7	0.82	110	22.0	655,000
Inferred	In-situ	4.6	1.30	156	59.7	1,582,000
Total		**16.7**	**1.28**	**159**	**214.4**	**5,866,000**

Notes: Reported at cut-off grade of 0.4% $Li_2$0. The preceding statements of Mineral Resources conforms to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 edition. All tonnages reported are dry metric tonnes. Excludes mineralisation classified as oxide. Transitional mineralisation included at cut-off grade 0.6 % $Li_2$0. Minor discrepancies may occur due to rounding to appropriate significant figures.

Ore Reserve as at 31 December 2018

Category		Tonnage Mt	Grade % Li_2O	Grade ppm Ta_2O_5	Contained Metal ('000) t Li_2O	Contained metal lbs Ta_2O_5
Proven	In-situ	6.10	1.28	137	78.0	1,842,000
Probable	In-situ	1.90	1.20	175	22.8	733,000
	Stockpiles	2.70	0.82	110	22.1	655,000
Total		**10.70**	**1.15**	**137**	**123.0**	**3,230,000**

Notes: Reported at cut-off grade of 0.4 % Li_2O. The preceding statements of Ore Reserves conforms to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 edition. All tonnages reported are dry metric tonnes. Excludes oxide. Transitional mineralisation included at cut-off grade 0.6 % Li_2O. Reported with 17% dilution and 93% mining recovery. Revenue factor US$650/tonne applied. Minor discrepancies may occur due to rounding to appropriate significant figures.

Summary of results of annual review

In 2019, Mt Cattlin Mineral Resources and Ore Reserves were depleted by ~2.1 Mt from mining operations. No additional resource definition drilling occurred during 2019 and estimates are based on Mt Cattlin's Mineral Resource as at 31 December 2018. Galaxy actively maintains reconciliation of in-situ resource depletion (estimated) and reported (actual) metrics, as well as stockpile accumulation, on a monthly and annual basis. Mine plans are reviewed annually for the short term, medium term and life of mine and the life of mine plan is reconciled annually against the Ore Reserve and its material schedule.

The 2019 Mineral Resource reconciles with mining depletion, additional localised resource sterilisation, production material dispatch and measured stockpile movements. Reconciliation of the resource model has occurred on an annual basis since operations restarted at Mt Cattlin in late 2016, to validate modifying factors of the Ore Reserve estimate and to test the robustness of the Mt Cattlin resource estimate.

Modifying factors and mining reconciliation for 2019 were reviewed and validated by independent consultancy Mining Plus Pty. Ltd. The scope of the annual review addressed the 2020 project mine planning criteria, the reported mined material for the 2019 year, material to be mined post 2019 and the JORC (2012) reporting standard.

A yield optimisation project was completed in 2019 as part of Galaxy's strategy to increase product quality to meet tightening customer specifications. Positively, Mt Cattlin's Ore Reserve has been recast with a 0% dilution factor (2018: 17% dilution factor) and a mining recovery of 92.5%, reflecting the current practice of mining to horizontal flitches and benches. The grade estimate increased to 1.29% Li_2O (2018: 1.15 % Li_2O) and a total tonnage reconciliation of +6.7 % was achieved since operations commenced in late 2016. Movement in the Ore Reserve classifications reflect the impact on supporting drilling data as a result of depletion from mining operations.

The estimates of both Mineral Resources and Ore Reserves set out above reflect the view of the Competent Person. Estimates are prepared independently by consultants Mining Plus Pty Ltd of Perth, Western Australia.

JAMES BAY PROJECT

Mineral Resource as at 31 December 2018 and 31 December 2019

Category	Tonnage Mt	Grade % Li_2O	Contained Metal ('000) t Li_2O
Indicated	40.30	1.40	564.2

Notes: Reported at a cut-off grade of 0.62 % Li_2O inside conceptual pit shells optimized using spodumene concentrate price of US$905 per tonne containing 6.0% Li_2O, metallurgical and process recovery of 70%, overall mining and processing costs of US$55 per tonne milled and overall pit slope of 50 degrees. All figures rounded to reflect the relative accuracy of the estimates. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.

Summary of results of annual review

No further Mineral Resource estimation work was undertaken at the James Bay Project during the year and there was no change to the Mineral Resource to 31 December 2019.

SAL DE VIDA PROJECT

The Competent Person was engaged to estimate the lithium and potassium resources and reserves in brine for various areas within the Salar de Hombre Muerto basin in accordance with the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (**JORC 2012**). Although the JORC 2012 standards do not address lithium brines specifically in its guidance documents, the Competent Person followed the (Canadian) National Instrument 43-101 guidelines for lithium brines set forth by the Canadian Institute of Mining, Metallurgy and Petroleum (CIM 2012) which the Competent Person considers complies with the intent of the JORC 2012 guidelines with respect to providing reliable and accurate information for the lithium brine deposit in the Salar del Hombre Muerto.

Mineral Resource as at 31 December 2018 and 31 December 2019

Category	Brine Volume (m^3)	Avg.Li (mg/L)	In-situ Li (Tonnes)	Li_2CO_3 Equivalent (Tonnes)	Avg. K (mg/L)	In-situ K (Tonnes)	KCl Equivalent (Tonnes)
Measured	490,000,000	759	369,000	1,964,000	8,126	3,952,000	7,536,000
Indicated	680,000,000	717	485,000	2,583,000	8,051	5,446,000	10,385,000
Inferred	100,000,000	706	71,000	376,000	6,747	676,000	1,289,000
Total	**1,300,000,000**	**732**	**925,000**	**4,923,000**	**7,976**	**10,073,000**	**19,210,000**

Note: Assumes 500 mg/L Li cut off.

Ore Reserve as at 31 December 2018 and 31 December 2019

Reserve Category	Time Period	Li Total Mass (Tonnes)	Li_2CO_3 Equivalent (Tonnes)	K Total Mass (Tonnes)	KCl Equivalent (Tonnes)
Proven	1 – 6	34,000	181,000	332,000	633,000
Probable	7 – 40	180,000	958,000	1,869,000	3,564,000
Total	**40 years total**	**214,000**	**1,139,000**	**2,201,000**	**4,197,000**

Notes: Assumes 500 mg/L Li cut off. Total tonnages for the economic Ore Reserve values above account for anticipated leakage and process losses of lithium and potassium. The results above are Proven and Probable Reserves from the Southwest and East well-fields when these percent estimated processing losses are factored in, assuming a continuous average brine extraction rate of 30,000 m3/d. The conversion factor for Lithium to Lithium Carbonate is: x 5.3228. The conversion factor for Potassium to Potassium Chloride is: x 1.907.

Summary of results of annual review

No further Mineral Resource or Ore Reserve estimation work was undertaken at the Sal de Vida Project during the year and there was no change to the Mineral Resource or Ore Reserve to 31 December 2019.

Controls & Governance

Galaxy ensures that quoted Mineral Resource and Ore Reserve estimates are subject to governance arrangements and internal controls at both site and corporate levels. Mineral Resource and Ore Reserves are estimated in accordance with the 2012 edition of the JORC Code.

Galaxy stores and collects exploration data using industry standard software that contains both external and internal validation checks. Exploration sample and assay have mineral standards introduced as set ratios. These are reported as necessary to the relevant Competent/Qualified Persons to assess both accuracy and precision in the input data. In resource modelling, models are validated by checking drilling and assay against sample composites and both against blocks and block models.

Galaxy engages with expert qualified and competent persons, on a commercial fee for service basis, to undertake resource and ore reserve modelling. Galaxy internally audits and reconciles the resource outcomes independently of the experts to validate both the process and the outcome.

The Company has developed its internal systems and controls to maintain JORC compliance in all external reporting, including the preparation of all reported data by Competent Persons as members of the Australasian Institute of Mining and Metallurgy or a 'Recognised Professional Organisation'. As set out above, the Mineral Resource and Ore Reserve statements included in this Annual Report were reviewed by suitably qualified Competent Persons (below) prior to their inclusion, in the form and context announced.

Competent Persons Statements

Mt Cattlin Project

The information in this Annual Report that relates to the Mt Cattlin 31 December 2018 Exploration Results is based on information compiled by Albert Thamm, M.Sc. F.Aus.IMM, a Competent Person who is a Corporate Member of The Australasian Institute of Mining and Metallurgy. Albert Thamm is a full-time employee and shareholder of Galaxy Resources Limited. Albert Thamm has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Albert Thamm consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this Annual Report that relates to the Mt Cattlin 31 December 2018 and 31 December 2019 Mineral Resources and Ore Reserves is based on information compiled by David Billington, B. Eng. (Mining), a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. David Billington is a full-time employee of Mining Plus Pty Ltd. David Billington has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. David Billington consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

James Bay Project

The information in this Annual Report that relates to the James Bay 31 December 2018 and 31 December 2019 Mineral Resources is based on information compiled by Glen Cole P.Geo., a Competent Person who is a Member of the Association of Professional Geoscientists of the province of Ontario (APGO#1416), a 'Recognised Professional Organisation' (RPO) included in a list that is posted on the ASX website from time to time. Glen Cole is a full-time employee of SRK Canada Inc. Glen Cole has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Glen Cole consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Sal de Vida Project

The information in this Annual Report that relates to the Sal de Vida 31 December 2018 and 31 December 2019 Mineral Resources and Ore Reserves is based on information compiled by Michael Rosko, MS PG, a Competent Person who is a Registered Member of the Society for Mining, Metallurgy & Exploration, Inc. (SME), a 'Recognised Professional Organisation' (RPO) included in a list that is posted on the ASX website from time to time. Michael Rosko is a full-time employee of Montgomery & Associates Consultores Limitada. Michael Rosko has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Michael Rosko consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Galaxy Resources Limited
ABN: 11 071 976 442
www.gxy.com