Galaxy Resources Limited and its Controlled Entities

For the half-year ended 30 June 2020

(Previous corresponding period is the half-year ended 30 June 2019)

Results for Announcement to the Market

	30 June 2020 US$'000	30 June 2019 US$'000	Change US$'000	Change %
Revenue from ordinary activities	23,289	27,961	(4,672)	(17%)
Profit / (Loss) from ordinary activities after tax attributable to members	(22,191)	(171,864)	149,673	87%
Net Profit / (Loss) for the period attributable to members	(22,191)	(171,864)	149,673	87%

Dividend Information

No dividends have been declared or paid during or since the end of the half-year ended 30 June 2020 (2019: Nil).

Net Tangible Assets

	30 June 2020 US$	30 June 2019 US$
Net tangible assets per share	0.149	0.603

Control Gained or Lost over Entities During the Period

There have been no gains or losses of control over entities in the period ended 30 June 2020 except for the following entities that were amalgamated, Galaxy Lithium One Inc. and Galaxy Lithium One (Quebec) Inc.

Financial Results

This report is based on the attached Condensed Consolidated Interim Financial Report for the half year ended 30 June 2020, which has been reviewed by PricewaterhouseCoopers, and should be read in conjunction with the consolidated annual financial report as at 31 December 2019 and public announcements made subsequent to 30 June 2020.

GALAXY RESOURCES LIMITED

ABN 11 071 976 442

CONDENSED CONSOLIDATED FINANCIAL REPORT FOR THE HALF-YEAR ENDED 30 JUNE 2020

www.gxy.com

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

CHIEF EXECUTIVE OFFICER

Mr Simon Hay

CHIEF FINANCIAL OFFICER

Mr Alan Rule

COMPANY SECRETARY

Mr John Sanders

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRIES

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth Western Australia 6000
Phone: 1300 850 505 (within Australia)
Phone: + 61 3 9415 5000 (outside Australia)
Fax: + 61 8 9473 2500
Website: www.computershare.com
Investor Centre: www.investorcentre.com

LEGAL ADVISERS

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

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

AUDITORS

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

AUSTRALIAN BUSINESS NUMBER

11 071 976 442

Galaxy Resources Limited shares are listed on the Australian Stock Exchange ("**ASX**"). ASX Code: GXY

TABLE OF CONTENTS

DIRECTORS' REPORT

Your directors present their report on the consolidated financial statements of Galaxy Resources Limited ("**Galaxy**" or "**Company**") and the entities it controlled ("**Group**") during the 6 months ended 30 June 2020 ("**Half-Year**").

DIRECTORS

The following persons were directors of the Company during the Half-Year and up to the date of this report except where indicated:

Mr Martin Rowley
Mr Anthony Tse
Mr Peter Bacchus
Mr John Turner
Ms Florencia Heredia
Mr Alan Fitzpatrick

PRINCIPAL ACTIVITIES

The principal activities of the entities within the Group are:

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

SUSTAINABILITY

Safety Performance

The Total Recordable Injury Frequency rate ("**TRIFR**") for the rolling 12 months ending 30 June 2020 was 13.9, a 22% decrease from the previous quarter. All operations have remained Lost Time Injury free for the past 12 months and as result, the Group's Lost Time Injury Frequency Rate is nil.

Enhanced health and safety practices were actioned earlier in the year and were focused on behavioural indicators and risk awareness. COVID-19 prevention practices were implemented across the organisation and the Group's sites have recorded nil cases to date.

Environment

At Sal de Vida, in Catamarca Province, northwest Argentina, progress was made on approvals with the granting of a groundwater permit by the provincial water authority for industrial and domestic use. A permit for the use and storage of chemical precursors (reagents) was also approved by the federal regulator. Additionally, an environmental baseline study was completed during the quarter.

At Mt Cattlin, a community engagement program advanced with the local high school students growing tube stock for the rehabilitation of the waste rock dump. Seeding and planting is scheduled to commence in August with further community involvement.

Community

Galaxy is committed to regularly engaging with community stakeholders to provide positive, lasting benefits through employment opportunities and health and educational initiatives.

At Sal de Vida, a social baseline study was completed with positive perceptions and feedback received. Galaxy provided medical supplies to the Antofagasta de la Sierra hospital to assist in the prevention of COVID-19. A second lithium seminar was conducted virtually at the University of Catamarca and attended by approximately 60 students interested in the industry.

As part of a two-year corporate social responsibility program, Galaxy has committed to three projects to support the communities surrounding the Sal de Vida project. Construction and expansion of the two schools has been interrupted by COVID-19 restrictions. The first aid facility at the nearest village to the project has also been rescheduled to commence in Q4.

At Mt Cattlin, Galaxy sponsored a series of workshops for the local community promoting health and wellbeing practices.

REVIEW OF OPERATIONS

Mt Cattlin Operations

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% Li_2O 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).

As previously advised, Galaxy is adapting to soft conditions in the lithium market by scaling back operational plans for 2020, prioritising the processing of low-grade stockpiled ore and drawing down final product inventory levels. In line with this market driven strategy, operations re-commenced in mid-February after a six-week planned outage.

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

	Units	June HY 2019	Dec HY 2019	June HY 2020
Mining				
Total material mined	*bcm*	2,347,045	2,278,299	**650,547**
Ore mined	*wmt*	817,119	972,930	**417,992**
Grade of ore mined	*%*	1.20	1.27	**1.06**
Processing				
Ore processed	*wmt*	836,695	858,674	**478,960**
Grade of ore processed	*%*	1.28	1.19	**1.04**
Mass yield	*%*	12	11	**10**
Recovery	*%*	55	56	**55**
Concentrate produced	*dmt*	98,334	93,236	**45,248**
Grade of concentrate produced	*%*	5.9	6.0	**6.0**
Sales				
Concentrate sold	*dmt*	44,630	88,057	**58,541**
Concentrate sold – grade	*%*	5.8	6.0	**5.9**
Selling price, Cost of sales and Production costs				
Realised Selling price (i)	*US$ / dmt*	627	472	**398**
Cost of sales per tonne sold (ii)	*US$ / dmt*	760	533	**405**
Gross margin (iii)	*US$ / dmt*	(133)	(61)	**(7)**
FOB Cash cost per tonne produced	*US$ / dmt*	387	396	**469**

i. Realised Selling price per tonne of Concentrate Sold is the FOB Esperance price including revenue from shipping activities.
ii. Cost of sales per tonne sold is calculated by taking total cost of sales (disclosed in note 3) divided by tonnes of Concentrate Sold.
iii. Gross margin per tonne of Concentrate Sold is calculated as Realised Selling price less cost of sales 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.

Financial Performance

The FOB unit cash cost of lithium concentrate produced for the Half-Year was US$469/dmt compared with a realised selling price of US$398/dmt. The increase in cash cost, compared to the previous period, is due to lower production volumes as production only re-commenced in mid-February. As production ramped up through the Half-Year, the FOB unit cash cost averaged US$412/dmt for the June quarter.

Mining

The new mining contractor mobilised to site smoothly and commenced activities in late February after the planned summer outage.

In accordance with the 2020 mine plan, ore mined was sourced from two open mining faces within the 2 South East ("**2SE**") and 2 North East ("**2NE**") pits.

Mining was on track for the Half-Year with volumes ramping up to 650,547 bcm, in line with the annual target. Cost savings were realised across a number of areas including optimisation of the waste stockpile design to reduce haulage and mining costs and enhanced drill and blast patterns to increase drilling efficiency.

Processing

During the Half-Year, 478,960 wet metric tonnes ("**wmt**") of ore was processed at a head grade of 1.04% Li_2O.

The scheduled installation of the front-end optical ore sorters ("**ore sorters**") was completed in the March quarter. The successful installation and commissioning of the ore sorters is a key part of Galaxy's strategy to optimise operations and control unit costs. The ore sorters are designed to upgrade over one million tonnes of low-grade ore, which has previously been expensed and stockpiled at site.

The ore sorters' contribution to throughput increased considerably in the June quarter from the March quarter with ~400t / day of sorted ore processed in April accelerating up to over 1,000t/day in June. Further enhancements to the circuit are planned for Q3 to increase the robustness of the circuit and process a higher percentage of stockpiled low grade ore in H2.

Although plant recovery was steady at 55%, significant improvements were made throughout the June quarter. Lower recovery was experienced in April due to higher lepidolite in ore than expected. Improved in-pit ore spotting practices were implemented thereafter and an additional grade control drilling campaign was completed to better forecast lepidolite content in ore. Additionally, a metallurgical sampling and trial program was completed in May to gain a deeper understanding of the impact of stockpiled ore, from the ore sorter circuit, on recovery. Findings were immediately implemented and recovery averaged 58.5% in June.

Production

Galaxy achieved production of 45,248 dmt of lithium concentrate at a 6.0 % Li_2O final product grade. Production volumes for the Half-Year exceeded guidance of 40,000 – 45,000 and final product grade represents a marginal increase compared to the prior year, reinforcing Galaxy's ability to be a reliable producer of high-quality lithium concentrate.

Sales

58,541 dmt of lithium concentrate was shipped from the Esperance Port during the Half-year. This does not include the previously reported 15,738 dmt that was sold in Q4 2019, but not shipped at the discretion of the customer until April.

The lithium market continues to experience weak demand across the entire lithium value chain and the full impact of COVID-19 on sales remains uncertain. Sales are dictated by the pace that customers can destock inventory and are currently being made on a spot price basis. Galaxy is monitoring the situation closely and is in regular contact with existing customers on the timing of shipments for H2 2020.

COVID-19

Galaxy responded swiftly to the COVID-19 pandemic at Mt Cattlin by introducing the necessary health practices while ensuring operations would continue without any major disruption. Interstate contractors were relocated to the Ravensthorpe region for up to six months to ensure the entire workforce was based in Western Australia. Rosters of Perth-based contractors and employees were adjusted to minimise travel and shift transitions. These actions have been implemented to mitigate the health and safety risk while adhering to the Western Australian State Government's regulations to contain the spread of COVID-19.

The full impact of COVID-19 on operations, projects and sales remains uncertain and fluid with the Group monitoring the situation closely.

2019 Resource & Reserve

During the Half-Year, Mt Cattlin's Mineral Resource and Ore Reserve estimates as at 31 December 2019 were updated.

The revised Mineral Resource, of 14.6Mt @ 1.29% Li_2O and 157 ppm Ta_2O_5[1], reflects depletion of approximately 2.1Mt from mining operations in 2019. No additional resource definition drilling occurred during 2019 and the revised estimate is based on Mt Cattlin's Mineral Resource as at 31 December 2018.

In addition to mining depletion, the Ore Reserve was recast based on modifying factors and reclassified due to the impact of supporting drilling data from mining operations. The revised Ore Reserve, of 8.2Mt @ 1.29% Li_2O and 155 ppm Ta_2O_5[2], reflects a 0% dilution factor (2018: 17% dilution factor) and a mining recovery of 92.5% (2018: 93%). The 0% dilution is reflective of an ore dispatch system and the front-end ore sorter that eliminates waste before it is presented to the plant.

Exploration

A high-resolution airborne electromagnetic survey was completed over approximately 10km^2 of exploration tenements north and south of Mt Cattlin's mining lease. Preliminary results have been received and will be integrated into ongoing target generation.

A regional grid-based auger geochemical sampling programme commenced over tenements to the north of Mt Cattlin.

PROJECT DEVELOPMENT

Sal De Vida

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 the Province of Catamarca 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.

Execution strategy

Galaxy is de-risking the Sal de Vida Project by developing a simplified flowsheet, utilising mature technology and by staging development to smooth capital expenditure and reduce market risk. Galaxy is committed to ensuring that the Sal de Vida Project is highly competitive on both capital intensity and operating costs. Excellent progress has been made during the quarter to realise these objectives.

In July 2020, Galaxy released an update of the Company's plans to advance Sal de Vida. No material changes have been made to the November 2019 development strategy that outlined a staged, scalable and lower risk project execution strategy, with the first stage targeting the production of approximately 10,000 tpa of primary grade lithium carbonate product at site. This development approach continues to allow for the smoothing of the capital expenditure cycle, lower up front capital, reduced development risk and simplified construction and logistical management.

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.

Project activities during the Half-Year

Site activities focused on completion of construction activities associated with the 15 Ha of demonstration evaporation ponds, the installation of a production well and engineering, procurement and construction of connecting infrastructure to pump brine from the aquifer. This allowed both a long-term pump test to be conducted on the aquifer and the filling of the demonstration ponds allowing evaporation of the brine to commence. Monitoring of the brine chemistry demonstrates that evaporation is occurring in line with process and atmospheric modelling.

During the same period, the assembly and installation of the onsite pilot plant was completed and commissioned. The duration of this was unexpectedly impacted by COVID related travel restrictions in Argentina and the Catamarca Province.

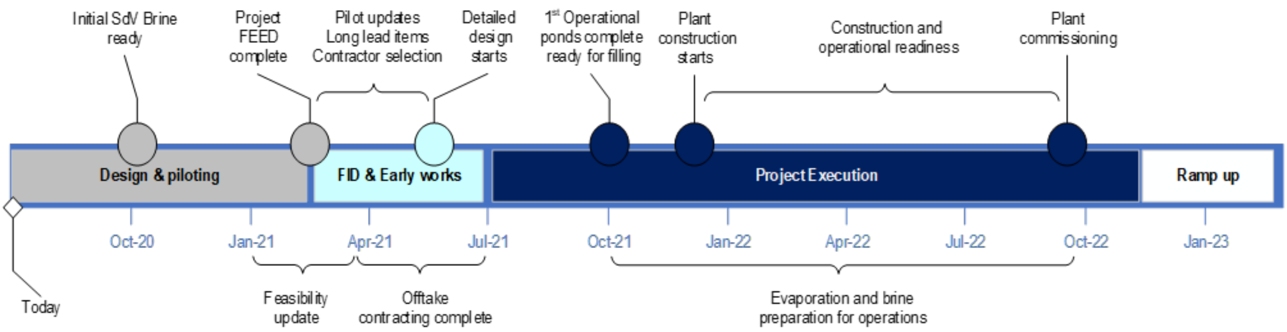
In March, the Federal Government imposed mandatory restrictions on development projects and the Sal de Vida site workforce was mostly demobilised. The resumption of development projects was permitted from May and site works resumed under strict provincial protocols. These controls are ongoing and continue to hamper ground transportation, provision of goods and services and personnel movement and rosters. This has caused a direct impact on the piloting schedule which flows through to the production of samples, customer testing and offtake negotiations.

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 offtake partners. Pilot scale purification using the primary carbonate produced onsite will be completed at an offsite laboratory.

Elsewhere, efforts continued to be focused on process development and the commencement of front-end engineering design ("**FEED**") for the wellfield, brine distribution system and ponds. The second FEED package for the process plant and non-process infrastructure is out to tender and will be awarded in Q3 after the evaluation and selection process. Preferred solutions for both energy and logistics scopes have also been selected and are being progressed into more detail.

The second stage of detailed product specification test work is now largely completed. This work was undertaken at an independent metallurgical test facility and focused on reducing reagent usage whilst simultaneously optimising cost, product quality and recovery. Results exceeded expectations for product quality with primary lithium carbonate grades at the upper end of the expected range. Recovery was also in line with previous test work and these results further validate the simplified process flowsheet developed in late 2019.

The overall impact on the full project schedule has been minimised through the adoption of an early works phase and Galaxy is still targeting first production from Stage One in 2022, although now in Q4. Early works, which is expected to include the procurement of long lead items and the commencement of pond construction, is scheduled to occur in H1 2021. Other critical path activities have progressed as planned and an updated indicative high-level schedule is set out below:



This schedule is based on an eventual easing of COVID-19 restrictions and in the event that restrictions do not ease timeously, Galaxy will adapt its execution strategy where possible while prioritising the health and safety of staff and the surrounding communities. The project team is monitoring the progress of all packages closely and continues to develop contingency plans to mitigate major risk elements, where feasible.

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 / sustainable supply of electricity in the region represent natural advantages of the project.

Project activities during the Half-Year

Project activities during H1 2020 were focused on value engineering to reduce capital and operating intensity, plus continued development of relationships with the various stakeholders particularly the Cree Nation of Eastmain.

Value engineering work was performed by a variety of engineering consultants with expertise in their respective area and studied ~ 40 main items to optimize size, scale, location, method etc. While no changes were made to the key project design criteria (e.g. throughput capacity, recovery, grade, prices etc.) the desktop exercise reduced the capital intensity of ore processed by ~30%. It also reduced the cash costs of production (excluding shipping and royalties) by ~10%. An interim approach to validate the key project assumptions will now be completed in H2 2020 prior to updating a feasibility study.

The geotechnical work was delayed due to COVID related travel restrictions and remains scheduled to re-commence in Q3 2020, this will confirm critical assumptions from the value engineering exercise.

Permitting works related to the ESIA were maintained to provide the option to update with impacts as a result of the value engineering and project assumption updates.

In February, the Cree Nation and the Québec Government signed a "Grand Alliance" and will collaborate to carry out an ambitious infrastructure plan in the Eeyou Istchee James Bay Territory which will include:

- Extension of rail track along James Bay Road by ~260km;
- Investment in electrification of industrial projects; and
- Training of local workers.

Galaxy is working with various stakeholders (Cree Nation Government, Hydro-Quebec, Société du Plan Nord, etc.) to how the "*Grand Alliance*" can benefit the project.

Galaxy continues to have open dialog with the Cree Nation of Eastmain and the Cree Nation Government however the negotiations to finalise an Impact and Benefit Agreement ("**IBA**"), will be subject to the Project providing additional feasibility detail.

CORPORATE

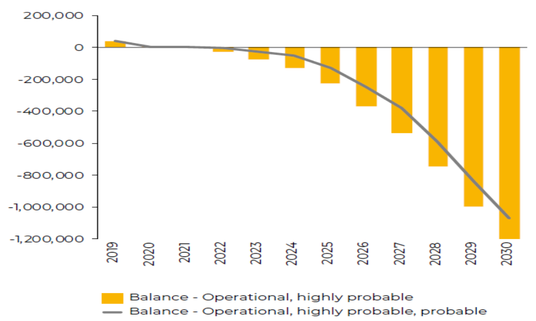
On 29 June 2020, Galaxy redeemed the fixed rate note in full with total proceeds of US$31,402,000 received on 2 July 2020. (*refer to note 10*)

INDUSTRY AND MARKET UPDATE

Market conditions in the lithium sector remain challenging due to the inventory overhang in the upstream section of the value chain and an uncertain near-term outlook for most end markets due to COVID-19. However, recently announced stimulus packages are expected to accelerate the pace at which electric vehicles ("EVs") are adopted globally. The EU has announced a "*Green Recovery Plan*" introducing a € 20 billion, two year purchasing facility for EVs and major European countries are following suit. Germany has effectively doubled EV subsidies and is penalising automakers for the production of petrol and diesel vehicle cars. France has also announced a production target of 1 million EVs by 2025 and in May, EV market share increased to 9% compared to 2.5% at the end of 2019.

China, currently the largest market for EVs, is still targeting a 25% penetration rate of new energy vehicles by 2025. In response to COVID-19, a range of stimulus packages were implemented to facilitate this. Though vehicle production and sales declined in June by 36.5% and 37.4% yoy respectively, a recovery is emerging when compared to March's decline of 45% and 42% yoy respectively.

Inventory stockpiles of lithium raw materials and chemicals continue to exceed normal levels. Current lithium pricing is below incentivisation levels for new production and this is resulting in producers and developers slowing or stopping new mines and expansion projects. This delay will exacerbate the looming structural deficit in the lithium market as shown in Figure 1. Sal de Vida Stage One is planned to enter production right before this deficit emerges and later stages will come online in the midst of the EV-led demand surge.



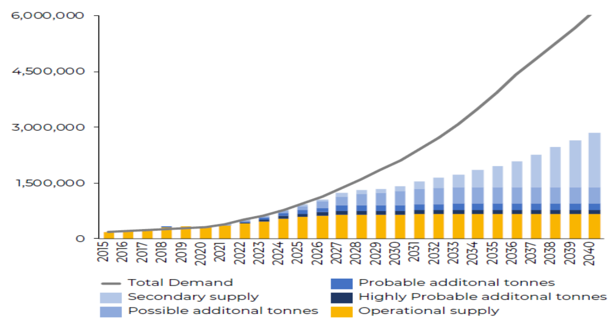


Figure 1: Forecast lithium market balance LHS and demand surge versus expected supply RHS (both in lithium carbonate equivalent t)

Source: Benchmark Minerals Intelligence, Lithium Forecast Q2 2020

According to Benchmark Minerals Intelligence, China's domestic battery grade lithium carbonate and hydroxide spot pricing was reported at RMB42,300 per tonne and RMB54,000 per tonne respectively, representing a 11% and 8% quarterly decline. The weighted average price for lithium carbonate and lithium hydroxide for the quarter was US$6,550 per tonne and US$8,770 per tonne respectively, representing a quarterly decline of 7% and 6%.

OPERATING RESULTS FOR THE PERIOD

The Group's loss after tax for the Half-Year was US$22,191,000 (30 June 2019: loss US$171,864,000).

The result for the Half-Year includes the following key items:

- Loss from operations at Mt Cattlin (before impairment and write downs) of US$405,000 due primarily to lower sales volumes, higher costs of production and reduced spodumene pricing of US$398/dmt compared to the preceding period;
- Impairment and write downs at Mt Cattlin due to continued weakness in spodumene prices:
    - Write down of Inventory at Mt Cattlin of US$10,813,000 (*refer to note 8*) (30 June 2019: US$13,589,000)
    - Further impairment of Property, Plant & Equipment and Right of Use Assets at Mt Cattlin of US$14,183,000 (30 June 2019: US$123,472,000) (*refer to note 9*)
- Interest income of US$7,256,000, including US$6,881,000 interest income on the fixed rate note
- JobKeeper payments of US$727,000 for Australian employees

CASH FLOW

Operating Cash Flows

Operating cash outflows for the Half-Year were US$17,016,000, an improvement of US$62,450,000 over the comparative period. The cash outflows for the Half-Year was a result of:

- Lower sales volumes (58,541 dmt) higher costs of production and reduced spodumene pricing of US$398/dmt at Mt Cattlin; and
- Payment of income tax in Argentina for the year ended 31 December 2019 of US$7,285,000

Investing Cash Flows

Net investing cash inflows of US$3,801,000 comprised:

- Interest income of US$8,197,000
- Capex of US$12,619,000:
  - Mt Cattlin – US$1,471,000
  - Sal de Vida – US$9,728,000
  - James Bay – US$1,420,000
- Proceeds on sale of investments of US$621,000

Financing Cash Flows

Cash outflows relating to financing activities totalled US$4,256,000 including US$3,783,000 on lease payments.

Closing Cash

Closing cash of US$74,693,000 does not include the proceeds from the fixed rate note of US$31,402,000 redeemed on 29 June 2020 with funds received on 2 July 2020 (*refer to note 10*). The total of the fixed rate note and closing cash is US$106,095,000.

DIVIDENDS FOR THE PERIOD

No dividends have been paid by the Company during the Half-Year, nor have the Directors recommended that any dividends be paid (2019: none).

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the Company under ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191. The Company is an entity to which the legislative instrument applies.

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 10 and forms part of the directors' report for the Half-Year.

Signed in accordance with a resolution of the Directors.

Martin Rowley
Chairman

Dated at Perth on 26 August 2020.

Auditor's Independence Declaration

As lead auditor for the review of Galaxy Resources Limited for the half-year ended 30 June 2020, 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 review; and

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

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

Douglas Craig
Partner
PricewaterhouseCoopers

Perth
26 August 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

CONDENSED CONSOLIDATED INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 30 JUNE 2020

	Note	30 June 2020 US$'000	30 June 2019 US$'000
PROFIT AND LOSS FOR THE PERIOD			
Operating sales revenue	*3*	23,289	27,961
Cost of sales	*3*	(23,696)	(33,926)
Inventory write down	*8*	(10,813)	(13,589)
Gross profit / (loss)		**(11,220)**	**(19,554)**
Other income	*3*	1,832	9,118
Other expenses	*3*	(4,263)	(6,406)
Impairment of Property, Plant & Equipment and Right of Use Assets	*9*	(14,183)	(123,472)
(Loss) before income tax and net finance expenses		**(27,834)**	**(140,314)**
Finance income	*3*	7,256	2,206
Finance expenses	*3*	(1,725)	(979)
(Loss) before taxation		**(22,303)**	**(139,087)**
Income tax benefit / (expense)	*11*	112	(32,777)
(Loss) after tax attributable to members of the parent		**(22,191)**	**(171,864)**
OTHER COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation reserve			
Foreign currency translation differences – foreign operations		(1,109)	(1,005)
Items that will not be reclassified to profit or loss			
Fair value reserve			
Changes in the fair value of financial assets designated at fair value through other comprehensive income		(2,076)	(6,995)
Income tax relating to revaluation of financial assets		-	1,623
Other comprehensive (loss) / income for the period		**(3,185)**	**(6,377)**
Total comprehensive (loss) / income for the period attributable to members of the parent		**(25,376)**	**(178,241)**
Earnings / (Loss) per share attributable to the ordinary equity holders of the parent			
Basic profit / (loss) per share (cents per share)		(5.4)	(43.7)
Diluted profit / (loss) per share (cents per share)		(5.4)	(43.7)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	30 June 2020 US$'000	31 December 2019 US$'000
CURRENT ASSETS			
Cash and cash equivalents		74,693	100,907
Financial assets	*10*	31,402	36,812
Trade and other receivables		15,942	10,801
Inventories	*8*	16,967	27,752
Other current assets		864	1,660
Total Current Assets		**139,868**	**177,932**
NON-CURRENT ASSETS			
Financial assets	*10*	2,463	5,514
Property, plant and equipment	*5*	26,258	33,728
Right of Use Assets		4,784	8,402
Exploration and evaluation assets	*6*	94,292	88,517
Other non-current assets		2,231	2,003
Total Non-Current Assets		**130,028**	**138,164**
Total Assets		**269,896**	**316,096**
CURRENT LIABILITIES			
Trade and other payables		22,040	24,867
Lease liabilities		7,116	6,572
Provisions		6,632	6,922
Income tax payable		-	14,022
Total Current Liabilities		**35,788**	**52,383**
NON-CURRENT LIABILITIES			
Lease liabilities		14,745	18,205
Provisions		4,638	4,673
Total Non-Current Liabilities		**19,383**	**22,878**
Total Liabilities		**55,171**	**75,261**
Net Assets		**214,725**	**240,835**
EQUITY			
Contributed equity	*7 a)*	674,091	674,091
Reserves	*7 c)*	(44,528)	(33,012)
Accumulated losses		(414,838)	(400,244)
Total Equity		**214,725**	**240,835**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 30 JUNE 2020

	Contributed Equity US$'000	Reserves US$'000	Accumulated Losses US$'000	Total Equity US$'000
Balance at 1 January 2019	673,801	(2,447)	(117,702)	**553,652**
(Loss) for the period	-	-	(171,864)	**(171,864)**
Other comprehensive loss for the period	-	(6,377)	-	**(6,377)**
Total comprehensive loss	**-**	**(6,377)**	**(171,864)**	**(178,241)**
Transfer of reserve upon exercise of options	193	(193)	-	**-**
Transfer of reserve upon forfeit of options	-	(625)	625	**-**
Share-based payments	-	525	-	**525**
Balance at 30 June 2019	**673,994**	**(9,117)**	**(288,941)**	**375,936**
Balance at 1 January 2020	674,091	(33,012)	(400,244)	**240,835**
(Loss) for the period	-	-	(22,191)	**(22,191)**
Other comprehensive loss for the period	-	(3,185)	-	**(3,185)**
Total comprehensive loss	**-**	**(3,185)**	**(22,191)**	**(25,376)**
Transfer of reserve upon forfeit of options	-	(7,597)	7,597	**-**
Share-based payments	-	(734)	-	**(734)**
Balance at 30 June 2020	**674,091**	**(44,528)**	**(414,838)**	**214,725**

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 30 JUNE 2020

	Note	30 June 2020 US$'000	30 June 2019 US$'000
Operating activities			
Receipts from customers		17,510	19,027
Payments to suppliers, contractors and employees		(27,241)	(44,225)
Cash generated from / (used in) operations		**(9,731)**	**(25,198)**
Income tax paid		(7,285)	(54,268)
Net cash inflow / (outflow) from operating activities		**(17,016)**	**(79,466)**
Investing activities			
Interest received		8,197	1,938
Payments for exploration and evaluation assets		(7,551)	(12,092)
Payments for property, plant and equipment		(5,068)	(5,241)
Payments for financial assets		-	(18,616)
Proceeds from sale of exploration and evaluation assets		-	271,600
Proceeds from sale of financial assets		621	355
Net cash inflow / (outflow) from investing activities		**(3,801)**	**237,944**
Financing activities			
Bank charges and interest paid		(347)	(17)
Principal elements of lease payments		(3,783)	(5,181)
Transaction costs related to loans and borrowings		(126)	(243)
Net cash inflow / (outflow) from financing activities		**(4,256)**	**(5,441)**
Net increase / (decrease) in cash and cash equivalents		**(25,073)**	**153,037**
Cash and cash equivalents at the beginning of the period		100,907	24,755
Effect of foreign exchange rate changes		(1,141)	(1,446)
Cash and cash equivalents at the end of the period		**74,693**	**176,346**

Closing cash of US$74,693,000 does not include the proceeds from the fixed rate note of US$31,402,000 redeemed on 29 June 2020 with the funds received on 2 July 2020 (*refer to note 10*). The total of the fixed rate note and closing cash is US$106,095,000.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Galaxy Resources Limited ("**Company**") is a for-profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded. The condensed consolidated financial statements of the Company for the half-year ended 30 June 2020 ("**Half-Year**") comprise the Company and the entities it controlled ("**Group**").

The Group is primarily involved in mineral exploration and processing.

The financial statements were authorised for issue by the Board of Directors on 26 August 2020.

2. BASIS OF PREPARATION & CHANGES TO THE GROUP'S ACCOUNTING POLICIES

a) Basis of preparation

The interim condensed consolidated financial statements for the Half-Year have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2019 and any public announcements made by the Company during the Half-Year in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the *ASX Listing Rules*.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements.

All amounts in the financial statements have been rounded to the nearest thousand dollars, except as indicated, under the option available to the Company under ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191.

b) New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards and interpretations effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

3. REVENUE AND EXPENSES

	Note	30 June 2020 US$'000	30 June 2019 US$'000
Operating sales revenue			
Sale of Spodumene concentrate	*(a)*	22,590	26,079
Revenue from shipping activities	*(b)*	699	1,882
		23,289	**27,961**
Cost of Sales			
Cash costs of production			
Mining costs		(7,507)	(18,294)
Processing costs		(5,848)	(11,879)
Transport costs		(2,124)	(2,389)
Administration and other site costs		(1,625)	(3,263)
By-product revenue - Tantalum		289	1,378
Selling and royalty costs			
Royalties		(1,545)	(2,186)
Freight, selling and distribution costs		(2,313)	-
Sales commission		(29)	(1,309)
Non-cash costs of production			
Depreciation and amortisation property, plant and equipment		(1,307)	(17,016)
Depreciation and amortisation right of use assets		(1,212)	(3,414)
Shipping activities costs	*(b)*	(699)	(1,882)
Net inventory movement		224	26,328
		(23,696)	**(33,926)**
Other income			
Net foreign exchange gain		1,832	9,118
Other expenses			
Administration expenses		(3,969)	(5,801)
Depreciation		(360)	(576)
Other expenses		66	(29)
		(4,263)	**(6,406)**
Finance income			
Interest income		7,256	2,206
Finance expenses			
Interest / Finance expense on borrowings		(193)	(204)
Interest expense on lease liabilities		(1,467)	(706)
Amortisation of capitalised finance costs		(65)	(69)
		(1,725)	**(979)**

(a) During the half-years ended 30 June 2020 and 2019, the Group sold only one type of product, spodumene concentrate, from one source, Mt Cattlin, to customers located in one geographical market, China. The Group has entered into binding offtake agreements with multiple customers for 100% of planned production from Mt Cattlin for the remaining life of mine, which commenced on 1 January 2020. The price agreed for the 2020 year is subject to a semi-annual pricing review between Galaxy and its customers.

(b) 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.

4. SEGMENT INFORMATION

a) Description of segments

During the period the Group has managed its businesses by geographic location, which resulted in four operating and reportable segments which consist of its Corporate, Australian, Argentinian and Canadian operations as set out below. This is consistent with the way in which information is reported internally to the Group's 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.

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

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

b) Segment information

The following tables present information for the Group's operating segments:

	Corporate US$'000	Australia US$'000	Argentina US$'000	Canada US$'000	Consolidated US$'000
Half-year ended 30 June 2020					
Segment Result					
Segment revenue	-	23,289	-	-	**23,289**
EBITDA before Inventory write down	**(3,984)**	**1,647**	**2,385**	**(7)**	**41**
Finance income	4	13	7,239	-	**7,256**
Finance expenses	(249)	(1,471)	(2)	(3)	**(1,725)**
Depreciation and amortisation	(271)	(2,519)	(56)	(33)	**(2,879)**
Inventory write down	-	(10,813)	-	-	**(10,813)**
Property, Plant & Equipment Impairment	-	(14,183)	-	-	**(14,183)**
Profit / (Loss) Before Income Tax	**(4,500)**	**(27,326)**	**9,566**	**(43)**	**(22,303)**
Segment Assets					
Segment assets	2,382	49,714	120,891	19,753	**192,740**
Unallocated Assets					
Cash and cash equivalents					**74,693**
Financial assets					**2,463**
Total Assets					**269,896**
Segment Liabilities					
Segment liabilities	4,551	35,293	14,959	368	**55,171**
Total Liabilities					**55,171**
Other Disclosures					
Capital expenditure	41	1,305	9,266	1,420	**12,032**

	Corporate US$'000	Australia US$'000	Argentina US$'000	Canada US$'000	Consolidated US$'000
Half-year ended 30 June 2019					
Segment Result					
Segment revenue	-	27,960	-	-	**27,960**
EBITDA before Inventory write down	**(5,760)**	**4,513**	**9,765**	**(5)**	**8,513**
Finance income	168	190	1,848	-	**2,206**
Finance expenses	(270)	(709)		(3)	**(979)**
Depreciation and amortisation	(310)	(11,191)	(235)	(30)	**(11,766)**
Inventory write down	-	(13,589)	-	-	**(13,589)**
Property, Plant & Equipment Impairment	-	(123,472)	-	-	**(123,472)**
Profit / (Loss) Before Income Tax	**(6,172)**	**(144,255)**	**11,378**	**(38)**	**(139,087)**
Segment Assets					
Segment assets	3,961	152,296	72,043	16,069	**244,369**
Unallocated assets					
Cash and cash equivalents					**176,346**
Financial assets					**27,183**
Total Assets					**447,898**
Segment Liabilities					
Segment liabilities	6,500	48,125	15,962	1,374	**71,961**
Total Liabilities					**71,961**
Other Disclosures					
Capital expenditure	7	7,820	6,963	2,066	**16,856**

5. PROPERTY, PLANT AND EQUIPMENT

	Land US$'000	Plant & Equipment US$'000	Mine Development Expenditure US$'000	Total US$'000
Cost				
Balance at 1 January 2019	**1,856**	**125,963**	**169,991**	**297,810**
Additions	314	4,736	7,578	**12,628**
Transfer from Exploration	-	-	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**
Additions	-	5,072	-	**5,072**
Transfer from Exploration	-	-	182	**182**
Foreign exchange movement	(111)	(839)	(1,511)	**(2,461)**
Balance at 30 June 2020	**2,055**	**134,435**	**185,237**	**321,727**
Accumulated Depreciation				
Balance at 1 January 2019	**-**	**(35,726)**	**(48,710)**	**(84,436)**
Depreciation	-	(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)**
Depreciation	-	(820)	(670)	**(1,490)**
Impairment – see note 9	-	(6,354)	(4,337)	**(10,691)**
Foreign exchange movement	-	640	1,278	**1,918**
Balance at 30 June 2020	**-**	**(115,393)**	**(180,076)**	**(295,469)**
Net book value				
At 31 December 2019	**2,166**	**21,343**	**10,219**	**33,728**
At 30 June 2020	**2,055**	**19,042**	**5,161**	**26,258**

6. EXPLORATION AND EVALUATION ASSETS

Carrying Value	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 2019	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**
Additions	8	-	5,532	1,420	**6,960**
Foreign exchange movement	(2)	-	(295)	(888)	**(1,185)**
Balance at 30 June 2020	**65**	**-**	**74,859**	**19,368**	**94,292**

7. EQUITY

a) Contributed equity

(i) Share capital

	30 June 2020 Shares	31 December 2019 Shares	30 June 2020 US$'000	31 December 2019 US$'000
Fully paid ordinary shares	409,479,338	409,479,338	674,091	674,091

(ii) Movement in ordinary share capital

	Number of Shares	Share Capital US$'000
Balance 31 December 2019	409,479,338	674,091
No Movement	-	-
Balance at 30 June 2020	**409,479,338**	**674,091**

b) Share Based Payments

During the Half-Year:

- 13,300,000 unlisted options were forfeited on the option expiry date of 14 June 2020 as they had not been exercised.
- 9,033,554 unlisted performance rights were issued to executives and other key individuals under the Company's Incentive Award plan, subject to vesting periods of up to four years, various vesting conditions and ongoing employment at the time of vesting. These unlisted performance rights expire 2 years after vesting if not exercised prior.
- No unlisted options or SAR's were issued.

Set out below is a summary of performance rights, unlisted options and SAR's outstanding at 30 June 2020:

	Exercise Price A$	Expiry Date	Vested	Unvested	Total
Performance rights	n / a	3 – 6 years	220,000	8,963,554	**9,183,554**
Unlisted Options	3.66	1 May 2021	300,000	200,000	**500,000**
SARs	n / a	2 – 4 years	900,000	-	**900,000**

c) Reserves

The following table shows the movements in reserves during the 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 2019	**13,706**	**(18,394)**	**(1,382)**	**3,623**	**(2,447)**
Foreign currency translation differences	-	(1,005)	-	-	(1,005)
Revaluation of financial assets at FVOCI, net of tax	-	-	(5,372)	-	(5,372)
Total comprehensive loss	**-**	**(1,005)**	**(5,372)**	**-**	**(6,377)**
Transactions with owners in their capacity as owners:					
Transfer of reserve upon exercise of SARs	(193)	-	-	-	(193)
Transfer of reserve upon forfeit of options	(625)	-	-	-	(625)
Share-based payment transactions	525	-	-	-	525
Balance at 30 June 2019	**13,413**	**(19,399)**	**(6,754)**	**3,623**	**(9,117)**
Balance at 1 January 2020	**13,261**	**(20,664)**	**(29,232)**	**3,623**	**(33,012)**
Foreign currency translation differences	-	(1,109)	-	-	**(1,109)**
Revaluation of financial assets at FVOCI, net of tax	-	-	(2,076)	-	**(2,076)**
Total comprehensive loss	**-**	**(1,109)**	**(2,076)**	**-**	**(3,185)**
Transactions with owners in their capacity as owners:					
Transfer of reserve upon forfeit of options	(7,597)	-	-	-	**(7,597)**
Share-based payment transactions	(734)	-	-	-	**(734)**
Balance at 30 June 2020	**4,930**	**(21,773)**	**(31,308)**	**3,623**	**(44,528)**

8. INVENTORY

During the Half-Year the carrying value of ore and spodumene inventories on hand was reduced to net realisable value resulting in an inventory write down of US$10,813,000 (31 December 2019: US$10,048,000).

The closing balance of inventories is summarised below:

	30 June 2020 US$'000	31 December 2019 US$'000
Ore and spodumene – at cost	25,062	35,276
Inventory write down	(10,813)	(10,048)
	14,249	25,228
Consumables	2,718	2,524
	16,967	**27,752**

9. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS

Property, plant and equipment (including mine development costs) and right of use assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

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 "**CGU**").

Given the low price of spodumene during the half year resulting in losses on each shipment and the continued weak outlook for spodumene prices in the short term, it was determined that indicators of impairment of the Mt Cattlin CGU are present at 30 June 2020. The future recoverability of the CGU 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 30 June 2020, 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 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 $350 / dmt to $522 / dmt CIF China.
- Average future cash cost of production ranging from $306 / dmt to $382 / dmt.
- Discount rate (real post tax) applied to cash flow projections of 7.5%.

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 for the Half-Year was US$28,720,000. 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$17,468,000 which was less than its carrying value and therefore an impairment has been recognised as follows:

	30 June 2020 US$'000	30 June 2019 US$'000
Property, plant and equipment impairment	10,691	123,472
Right of use assets impairment	3,492	-
	14,183	**123,472**

The Group considered a number of sensitivities in assessing the recoverable amount as at 30 June 2020. 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 $9,600,000.

10. FINANCIAL ASSETS

	30 June 2020 US$'000	31 December 2019 US$'000
Current		
Fixed Rate Note	31,402	36,812
	31,402	**36,812**
Non-Current		
Financial assets at fair value through OCI – listed shares	2,397	5,448
Financial assets at fair value through OCI – unlisted shares	66	66
	2,463	**5,514**

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 was 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.

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. All gains and losses on translation into USD of this Fixed Rate Note are recognised through the profit and loss. During the Half-Year, interest income of US$6,881,000 was recognised and a foreign exchange loss of US$5,410,000 was recognised.

On 29 June 2020, GLSSA redeemed the Fixed Rate Note in full with total proceeds of US$31,402,000 received on 2 July 2020.

11. INCOME TAX

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

		30 June 2020 US$'000	30 June 2019 US$'000
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:			
Accounting profit / (loss) before income tax		(22,303)	(139,087)
At Australia's statutory income tax rate of 30% (2019:30%)		6,691	41,726
Tax effect of amounts which are not (deductible) / taxable in calculating taxable income:			
Share-based payments		-	(157)
Other non-deductible expenses		(32)	2,752
Deferred tax assets utilised / (not brought to account)		840	(7)
Impairment not recognised in income tax		(7,499)	(41,202)
Derecognition of deferred tax assets	*(a)*	-	(39,671)
Adjustments in respect of income tax of previous years		112	3,782
Income tax (expense) reported in the statement of comprehensive income		**112**	**(32,777)**
The components of income tax expense are:			
Current income tax benefit / (expense)		112	(32,777)
Deferred income tax benefit / (expense)		-	-
		112	**(32,777)**

(a) Deferred tax assets of US$nil (2019: US$39,671,000) 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 income tax liabilities are recognised for all taxable temporary differences, other than for the exemptions permitted under accounting standards. At 30 June 2020 there are no unrecognised temporary differences associated with the Group's investment in subsidiaries (2019: 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.

12. COMMITMENTS AND CONTINGENCIES

a) Capital commitments

Mining tenements

In order to maintain current rights of tenure to mining tenements, the Group will be required to perform minimum exploration work to meet the minimum expenditure requirements. This expenditure will only be incurred should the Group retain its existing level of interest in its various exploration areas and provided access to mining tenements is not restricted. These obligations will be fulfilled in the normal course of operations, which may include exploration and evaluation activities. There have been no significant changes to the commitments and contingencies disclosed in the most recent financial report.

b) Contingent assets and liabilities

The Group had no material contingent liabilities or contingent assets at 30 June 2020 (31 December 2019: nil). 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.

13. EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matter set out below, in the interval between the end of the Half-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 13 July 2020, the Company signed a three-year extension agreement from January 2023 with existing customer Yahua International Investments and Development Co. Ltd for a minimum 120,000 dmt per annum of spodumene concentrate from Mt Cattlin
- As set out in note 10, on 29 June 2020, GLSSA redeemed the Fixed Rate Note in full. The total proceeds of US$31,402,000 were received on 2 July 2020

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the half-year financial statements and notes set out on pages 11 to 24 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 Group's financial position as at 30 June 2020 and its performance for the half-year ended on that date; and

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

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 half-year ended 30 June 2020.

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

Martin Rowley
Chairman

Dated in Perth on 26 August 2020.

Independent auditor's review report to the members of Galaxy Resources Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Galaxy Resources Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the condensed consolidated statement of financial position as at 30 June 2020, the condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and condensed consolidated income statement and statement of comprehensive income for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Galaxy Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Galaxy Resources Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
26 August 2020