GALAXY RESOURCES LIMITED

ABN 11 071 976 442

CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2016

www.galaxylithium.com

Corporate Directory

Board of Directors

Mr Martin Rowley (Independent Non-Executive Chairman)
Mr Anthony Tse (Managing Director)
Mr Michael Fotios (Non-Executive Director)
Mr Jian-Nan Zhang (Non-Executive Director)

Chief Financial Officer

Mr Rowen Colman

Company Secretary

Mr Simon Robertson

Registered Office and Principal Place of Business

Suite 8
18 Kearns Crescent
Ardross WA 6153
Australia
Phone: + 61 8 9215 1700
Fax: + 61 8 9215 1799
Emails: reception@galaxylithium.com (General Enquiries)
ir@galaxylithium.com (Investor Relations and Media Enquiries)
Website: www.galaxylithium.com

Share Registries

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

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

Legal Advisers

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

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

Auditors

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

Australian Business Number

11 071 976 442

Stock Exchange Listing

ASX Codes: GXY

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Your directors present their report on the consolidated entity (the "Group") consisting of Galaxy Resources Limited (the "Company") and the entities it controlled during the half-year ended 30 June 2016.

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
Anthony Tse
Charles Whitfield (resigned 19 August 2016)
Michael Fotios (appointed 9 August 2016)
Jian-Nan (George) Zhang

PRINCIPAL ACTIVITIES

The principal activities of the entities within the Group are:

- Production of Lithium Carbonate;
- Production of Lithium Concentrate; and
- Exploration for minerals.

During the six months ended 30 June 2016 the Group, through a Joint Operation with General Mining Corporation Limited, recommenced production at the Mt Cattlin project and continued to unlock and realise value from its other principal assets Sal de Vida and James Bay.

OPERATING RESULTS FOR THE PERIOD

The Group's profit for the period was $70,350,305 after tax for the half-year to 30 June 2016 (half-year ended 30 June 2015: $55,013,964).

REVIEW OF OPERATIONS

Corporate

Following the closing of the A$31 million refinancing and completion of the balance sheet restructuring at the end of 2015, the Company continued to focus on advancing its activities on the Mt Cattlin Project in joint venture partnership with General Mining ("GMM"). In March 2015, Galaxy announced that it had secured offtake with major customers involved in the production of lithium carbonate and lithium hydroxide, who then on-sell their product into the lithium ion battery cathode market in China. Definitive documentation was completed with the Chinese offtake customers in May and July respectively, based on a total of 45,000 tonnes of lithium concentrate to be delivered in 2016 at US$600/tonne (FOB Esperance), at a minimum product specification of 5.5% grade of lithium oxide, less than 5% mica and 8% moisture content. Prepayment monies representing 50% of the 2016 contract value, were also agreed and the first tranche representing US$9 million was received in May. Galaxy and GMM also agreed with the same customers to deliver 120,000 tonnes of lithium concentrate in 2017 at a sale price to be confirmed in Q4 of 2016 and contingent upon prevailing market conditions at that time.

In March, the Company also received notice that it would be included into the S&P/ASX All Ordinaries at the March 2016 quarterly rebalance.

On 30 May 2016, Galaxy announced an Off-Market Takeover Bid for GMM to create a leading diversified global lithium producer. Galaxy and General Mining entered into a definitive Takeover Bid Implementation Agreement to merge the two companies. It was proposed that Galaxy would acquire all of the issued shares of GMM that it did not already own by way of an off-market takeover offer (Offer). Under the Offer, GMM shareholders would receive 1.65 new Galaxy shares for every 1 GMM share held, which represented a 9.4% premium to the 10-day volume weighted average price (VWAP) and 13.5% premium to the 20-day VWAP of GMM shares to Wednesday 25 May 2016. Based on Galaxy's closing share price of A$0.395 on the ASX as at 25 May 2016 (being the last day GMM and Galaxy shares traded before the announcement of the Offer), the Offer valued GMM at approximately A$217 million (on a fully diluted basis. The Galaxy proposal was unanimously recommended by the directors of GMM who also agreed to accept Galaxy's Offer in respect of all shares they control, in each case in the absence of a superior offer.

Mt Cattlin Operations

At the end of March, Galaxy received from GMM a capital expenditure schedule amounting to A$7 million, which included purchase orders for plant equipment, fabrication, engineering and installation services, committed as at 31 December 2015, and also announced it had received a Production Notice from GMM in accordance with the obligations set out in the Acquisition and Development Agreement (the "Agreement", as announced on 9 June 2015) for Mt Cattlin. Mining and processing operations formally commenced on 31 March 2016. In light of achieving these milestones in the first quarter, GMM thus earned its initial 14% equity in Mt Cattlin and will maintain a 50% share of operating cash flows. Pursuant to the terms in the Agreement, GMM was at the time entitled to earn up to a 50% equity interest in the Mt Cattlin Project subject to a A$25 million total commitment over time. Following the restart of operations, Galaxy would begin receiving A$6 million per annum for the first three years of production payable in quarterly payments of A$1.5 million beginning 30 June 2016, as part of GMM's earn-in milestones.

The flow sheet at the Mt Cattlin processing plant was also redesigned by GMM and focused on a base case throughput of 800ktpa, increasing yield from a historic 50-55% to 70-75% across both spodumene and tantalum, implying a run rate production of 120ktpa+ spodumene concentrate and 175klbpa+ of contained tantalum pentoxide. Final lithium oxide content in concentrate was targeted at a minimum 5.5%, with mica levels in previously produced concentrate from 15-20% to below 5%.

GMM announced that it had commenced diamond drilling of the Mt Cattlin lithium-tantulum deposit. The drill program was designed to follow up on intersections of spodumene-bearing pegmatite encountered in very sparse drilling (undertaken by Galaxy in 2008) underneath the known pegmatite occurrence. General Mining also announced that it had completed the first stratigraphic diamond drill hole at the Mt Cattlin Lithium-Tantulum deposit to a depth of 879.6 metres, and was designed to provide greater geological understanding of the Mt Cattlin orebody. The drilling was to assist in determining optimal depths for future infill and extensional drilling of the known lithium-tantulum resource. In that same drilling program, it was found that hole MTCDD3 intersected a significant (11m downhole) zone of coarse-grained spodumene-bearing pegmatite, from a depth of 376.6m downhole. This zone is significant as the spodumene is coarse-grained and prevalent throughout the pegmatite intersection; and is the widest yet-encountered below the known pegmatite resource, and of similar dimension to the pegmatite zones contributing to the current resource.

Sal De Vida

During the period, a formal process was commenced to revise and update key parameters of the Definitive Feasibility Study that was completed in April 2013. With a change in leadership under the newly elected President Macri, Argentina underwent a broad range of impactful adjustments to economic and policy frameworks, which resulted in significant changes in the country – including a devaluation of the Argentina Peso, removal of certain tariffs and taxes, including a 5% withholding tax on the export of industrial products (which include lithium-based products). Galaxy engaged Techint, one of the largest engineering and construction firms in Argentina, to conduct a formal review of the economics in the Definitive Feasibility Study for the Sal de Vida Project. This work involved a reassessment of the costing and assumptions used in compiling the proposed capital expenditure and cashflow model of the project, based on the latest market and economic conditions. New third party pricing models were to be incorporated into the revised economic model, in light of the latest and expected market conditions going forward for potash, lithium carbonate and hydroxide.

Galaxy also began formally assembling its project Owners Team, which will be a multi-disciplinary team of specialized professionals that will be taking the project through its next stage of development. This Owners Team, which will include local and international personnel, is being populated with industry veterans with decades of experience in the development of lithium brine projects in South America.

Discussions also got underway between the federal government and Salta Province, for a possible expansion of electricity grid infrastructure all the way to Hombre Muerto, branching from Guemes to Mina La, which is being considered as part of the overall expanded electrification plan for the Puna Region. Relevant permit renewals and other documentation requirements were submitted in the Catamarca Province, with a permit extension request formally filed. Based on discussions with the local mining authority, a DIA extension is expected within the coming quarter. All tenements in Catamarca and Salta remained in good standing. Lastly, early work began on flowsheet preparation for a planned lithium carbonate demo plant with a potential 1,200tpa production capacity, with the aim of engineering a semi-industrial scale chemical plant that will be producing high-grade lithium carbonate on site from the project brine. The objective of the planned demo plant is to allow the project to apply and test the industrial process and technical assumptions in a smaller scale operation, ahead of the main commercial plant build.

James Bay

As part of the previous agreement with GMM, Galaxy also granted a sole and exclusive right to earn a 50% interest in the James Bay Project, subject to a minimum requirement for GMM to invest US$5 million over a three year period, and as part of that a guaranteed spend of US$2.5 million within the first two years. A DFS team was assembled in Q1 2016 to review all existing data and a site visit took place to the James Bay site in June 2016. Data from site and from the on-ground team was analyzed and taken back to Australia for review.

EVENTS SUBSEQUENT TO REPORTING DATE

On 12 July 2016 the Company announced that a second definitive offtake agreement had been executed between GMM, Mitsubishi Corporation and a Chinese customer for the sale of 15,000 tonnes of lithium concentrate from the Mt Cattlin plant in 2016 at a price of US$ 600 / tonne. It was also confirmed that a 50% prepayment of US$ 4.5 million had been received by GMM.

On 9 August 2016 the Company announced that an off-market takeover bid for GMM Limited had successfully closed with Galaxy acquiring a relevant interest in 96.74% of GMM's fully paid ordinary shares. The Company has also sent a compulsory acquisition notice to acquire the remaining GMM shares not accepted in the takeover bid, and expects to complete the acquisition by 30 September 2016.

Except for the items above, there has not arisen in the interval between the end of the financial period and the date of this report 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 periods.

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 3 and forms part of the directors' report for the half-year ended 30 June 2016.

Signed in accordance with a resolution of the Directors
Dated at Perth this 13th day of September 2016.
On behalf of the Directors

Anthony Tse
Managing Director

pwc

Auditor's Independence Declaration

As lead auditor for the review of Galaxy Resources Limited for the half-year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

2. 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.

Nick Henry
Partner
PricewaterhouseCoopers

Perth
13 September 2016

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 Statement of Profit or Loss and Other Comprehensive Income
For the Half-Year Ended 30 June 2016

	Notes	30 June 2016 $	30 June 2015 $
Revenue			
Finance income		**15,215**	17,738
Other income		**12,722**	50,000
Expenses			
Operating costs		**(33,024)**	(34,852)
Other expenses from ordinary activities			
Administration costs		**(2,408,632)**	(3,156,363)
Employment costs		**(779,911)**	(3,559,959)
Depreciation		**(45,764)**	(68,751)
Finance costs		**(2,041,706)**	(5,555,439)
Foreign exchange losses		**(59,191)**	(3,121,598)
Impairment reversal of property, plant and equipment	*5*	**75,690,596**	-
Profit (loss) before taxation		**70,350,305**	(15,429,224)
Income tax	*18*	**-**	-
Profit (loss) from continuing operations		**70,350,305**	(15,429,224)
Profit from discontinued operation	*17*	**-**	70,443,188
Profit for the period		**70,350,305**	55,013,964
Profit (loss) attributable to:			
Owners of Galaxy Resources Limited		**70,432,596**	55,053,467
Non-controlling interests		**(82,291)**	(39,503)
		70,350,305	55,013,964
Other comprehensive loss for the period			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences – foreign operations		**(3,471,072)**	2,085,846
Reclassification of cumulative foreign currency gain on disposal of subsidiary		**-**	(8,320,093)
Revaluation of available for sale financial assets		**3,235,285**	205,000
Other comprehensive loss for the period		**(235,787)**	(6,029,247)
Total comprehensive income for the period		**70,114,518**	48,984,717
Total comprehensive income (loss) for the period attributable to:			
Owners of Galaxy Resources Limited		**70,336,390**	49,078,539
Non-controlling interests		**(221,872)**	(93,822)
		70,114,518	48,984,717
Total comprehensive income (loss) for the period attributable to owners of Galaxy Resources Limited arises from:			
Continuing operations		**70,114,518**	(18,777,516)
Discontinued operations		**-**	67,762,233
		70,114,518	48,984,717
Earnings per share for income (loss) from continuing operations attributable to the ordinary equity holders of the company			
Basic income (loss) per share (cents per share)	*2*	**5.54**	(1.44)
Diluted income (loss) per share (cents per share)	*2*	**5.34**	(1.44)
Earnings per share for income attributable to the ordinary equity holders of the company			
Basic income per share (cents per share)	*2*	**5.54**	5.14
Diluted income per share (cents per share)	*2*	**5.34**	5.07

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

Consolidated Statement of Financial Position
As At 30 June 2016

	Note	30 June 2016 $	31 December 2015 $
CURRENT ASSETS			
Cash and cash equivalents	*9*	**12,785,147**	4,761,163
Other receivables and prepayments		**6,825,023**	6,617,758
Inventories	*8*	**543,896**	1,064,592
TOTAL CURRENT ASSETS		**20,154,066**	12,443,513
NON-CURRENT ASSETS			
Property, plant and equipment	*5*	**64,199,544**	1,684,822
Exploration and evaluation assets	*6*	**120,089,088**	124,005,515
Available-for-sale financial assets	*7*	**4,770,000**	1,548,555
Other receivables	*4(a)*	**12,000,000**	-
TOTAL NON-CURRENT ASSETS		**201,058,632**	127,238,892
TOTAL ASSETS		**221,212,698**	139,682,405
CURRENT LIABILITIES			
Trade and other payables		**6,564,422**	1,361,246
Advance payments		**6,059,790**	-
Provisions		**78,944**	52,351
Interest bearing liabilities	*10*	**3,010,556**	-
TOTAL CURRENT LIABILITIES		**15,713,712**	1,413,597
NON-CURRENT LIABILITIES			
Provisions		**5,884,985**	7,173,671
Interest bearing liabilities	*10*	**25,748,847**	28,293,359
TOTAL NON-CURRENT LIABILITIES		**31,633,832**	35,467,030
TOTAL LIABILITIES		**47,347,544**	36,880,627
NET ASSETS		**173,865,154**	102,801,778
EQUITY			
Contributed equity	*12*	**460,568,882**	459,217,804
Reserves	*12*	**(5,476,706)**	(6,632,796)
Accumulated Losses		**(281,227,022)**	(353,963,638)
Capital and reserves attributable to owners of Galaxy Resources Limited		**173,865,154**	98,621,370
Non-controlling interests		**-**	4,180,408
TOTAL EQUITY		**173,865,154**	102,801,778

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2016

	Note	Contributed Equity $ 12(a)	Reserves $ 12(b)	Accumulated losses $	Total $	Non-controlling interest $	Total equity $
Balance at 1 January 2015		450,692,932	11,986,098	(417,504,308)	45,174,722	4,890,502	50,065,224
Profit (loss) for the period		-	-	55,053,467	55,053,467	(39,503)	55,013,964
Other comprehensive loss for the period		-	(5,974,928)	-	(5,974,928)	(54,319)	(6,029,247)
Total comprehensive income (loss)		-	(5,974,928)	55,053,467	49,078,539	(93,822)	48,984,717
Transfer of reserve upon forfeit of options		-	(8,310,750)	8,310,750	-	-	-
Share-based payment transactions		1,552,600	1,382,675	-	2,935,275	-	2,935,275
Share transaction costs		(6,128)	-	-	(6,128)	-	(6,128)
Balance at 30 June 2015		452,239,404	(916,905)	(354,140,091)	97,182,408	4,796,680	101,979,088
Balance at 1 January 2016		**459,217,804**	**(6,632,796)**	**(353,963,638)**	**98,621,370**	**4,180,408**	**102,801,778**
Profit (loss) for the period		**-**	**-**	**70,432,596**	**70,432,596**	**(82,291)**	**70,350,305**
Other comprehensive loss for the period		**-**	**(96,206)**	**-**	**(96,206)**	**(139,581)**	**(235,787)**
Total comprehensive income (loss)		**-**	**(96,206)**	**70,432,596**	**70,336,390**	**(221,872)**	**70,114,518**
Options exercised		**960,000**	**-**	**-**	**960,000**	**-**	**960,000**
Transfer of reserve upon exercise of options		**402,220**	**(402,220)**	**-**	**-**	**-**	**-**
Transfer of reserve upon forfeit of options		**-**	**(2,304,020)**	**2,304,020**	**-**	**-**	**-**
Share transaction costs		**(11,142)**	**-**	**-**	**(11,142)**	**-**	**(11,142)**
Acquisition of non-controlling interest	*12(c)*	**-**	**3,958,536**	**-**	**3,958,536**	**(3,958,536)**	**-**
Balance at 30 June 2016		**460,568,882**	**(5,476,706)**	**(281,227,022)**	**173,865,154**	**-**	**173,865,154**

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

	Note	**30 June 2016** **$**	30 June 2015 $
Operating activities			
Receipts from customers		**6,182,168**	2,169,909
Receipts from Australian Taxation Office		**-**	185,401
Payments to suppliers, contractors and employees		**(2,760,561)**	(6,138,601)
Net cash inflow(outflow) operating activities		**3,421,607**	(3,783,291)
Investing activities			
Interest received		**15,215**	26,877
Acquisition of property, plant and equipment		**(30,702)**	(13,263)
Proceeds from sale of assets		**-**	103,143,600
Proceeds from sale of available-for-sale assets		**26,890**	-
Payments for exploration and evaluation assets		**(599,958)**	(1,089,761)
Refund of security deposit/performance bonds		**-**	(16,001,469)
Net cash (outflow)inflow from investing activities		**(588,555)**	86,065,984
Financing activities			
Net proceeds from issue of shares		**960,000**	-
Bank charges and interest paid		**(1,614,088)**	(8,492,689)
Proceeds from borrowings		**6,200,000**	8,427,548
Repayments of borrowings		**-**	(53,132,994)
Net cash inflow(outflow) from financing activities		**5,545,912**	(53,198,135)
Net increase in cash and cash equivalents		**8,378,964**	29,084,558
Cash and cash equivalents at the beginning of the period		**4,761,163**	13,580,514
Effect of foreign exchange rate changes		**(354,980)**	264,834
Cash and cash equivalents at the end of the period		**12,785,147**	42,929,906

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

1. SIGNIFICANT ACCOUNTING POLICIES

Galaxy Resources Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial statements of the Company for the half-year ended 30 June 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is a for-profit entity and is primarily involved in mineral exploration and processing.

a) Statement of compliance

These consolidated interim financial statements are general purpose financial statements and have been prepared in accordance with AASB 134: *Interim Financial Reporting*, and the *Corporations Act 2001*. 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. The consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 31 December 2015 and any public announcement made by the Company during the half-year ended 30 June 2016 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the *ASX Listing Rules*.

The consolidated financial statements were authorised for issue by the Board of Directors on 13 September 2016.

b) Accounting policies

The accounting policies applied by the Group in the consolidated interim financial statements are the same as those applied by the Group in its consolidated financial report as at and for the year ended 31 December 2015 and the corresponding interim reporting period and have been consistently applied unless otherwise stated.

New amended and revised standards that are mandatory for 30 June 2016 interim periods have been applied in these consolidated interim financial statements and did not have a significant impact on the reported results or financial position.

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 interim reporting period and have not been applied in these financial statements.

2. EARNINGS PER SHARE

The calculation of basic earnings (loss) per share for each period was based on the earnings (loss) attributable to ordinary shareholders and using a weighted average number of ordinary shares outstanding during the period.

	30 June 2016	30 June 2015
(a) Basic earnings (loss) per share	**Cents**	Cents
From continuing operations attributable to the ordinary equity holders of the company	**5.54**	(1.44)
From discontinued operation	**-**	6.58
Total basic earnings per share attributable to the ordinary equity holders of the company	**5.54**	5.14
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the company	**5.34**	5.07
(c) Reconciliation of earnings (loss) used in calculating earnings per share		
Profit (loss) attributable to the ordinary shareholders of the company used in calculating basic and diluted earnings (loss) per share	$	$
From continuing operations	**70,350,305**	(15,429,224)
From discontinued operation	**-**	70,443,188
	70,350,305	55,013,964
(d) Weighted average number of shares	**Number**	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**1,268,940,085**	1,071,148,631
Adjustments for calculation of diluted earnings per share:		
Options	**25,000,000**	12,569,061
Share appreciation rights	**24,252,000**	922,376
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**1,318,192,085**	1,084,640,068

3. SEGMENTS INFORMATION

(a) Description of segments

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

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

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

- Segment results are profit and loss before taxation which is measured by allocating revenue and expenses to the reportable segments according to the geographic location in which they arose or relate to.
- Segment assets include property, plant and equipment, lease payment and exploration and evaluation assets. The geographical location of the segment assets is based on the physical location of the assets.

(b) Reportable segments

	Corporate		Australia		Argentina		Canada		Total	
	30 June 2016 $	30 June 2015 $	**30 June 2016 $**	30 June 2015 $	**30 June 2016 $**	30 June 2015 $	**30 June 2016 $**	30 June 2015 $	**30 June 2016 $**	30 June 2015 $
Finance income	**15,215**	-	**-**	-	**-**	-	**-**	-	**15,215**	-
Other income	**12,722**	-	**-**	50,000	**-**	-	**-**	-	**12,722**	50,000
Operating costs and provisions for inventory and onerous contracts	**-**	-	**(33,024)**	(34,853)	**-**	-	**-**	-	**(33,024)**	(34,853)
Impairment reversal	**-**	-	**75,690,596**	-	**-**	-	**-**	-	**75,690,596**	-
Other expenses from ordinary activities	**(3,321,067)**	(6,131,344)	**56,672**	(3,663,101)	**(29,103)**	(94,487)	**-**	-	**(3,293,498)**	(9,888,932)
Finance costs	**(2,038,422)**	(3,958,482)	**(910)**	(1,596,256)	**(2,002)**	-	**(372)**	(701)	**(2,041,706)**	(5,555,439)
Reportable segment profit (loss) before income tax	**(5,331,552)**	(10,089,826)	**75,713,334**	(5,244,210)	**(31,105)**	(94,487)	**(372)**	(701)	**70,350,305**	(15,429,224)

	30 June 2016 $	31 December 2015 $	**30 June 2016 $**	31 December 2015 $	**30 June 2016 $**	31 December 2015 $	**30 June 2016 $**	31 December 2015 $	**30 June 2016 $**	31 December 2015 $
Reportable segment interest bearing liabilities	**28,759,403**	28,293,359	**-**	-	**-**	-	**-**	-	**28,759,403**	28,293,359
Other reportable liabilities	**1,311,557**	1,013,288	**12,717,384**	3,159,923	**60,667**	231,628	**4,498,533**	4,182,429	**18,588,141**	8,587,268
Reportable segment assets	**1,725,182**	7,974,171	**84,111,368**	4,850,527	**115,759,916**	118,642,340	**2,061,085**	1,905,649	**203,657,551**	133,372,687
Additions to non-current segment assets during the period	**23,854**	18,986	**23,493,118**	253,659	**425,494**	1,901,915	**61,607**	18,904	**24,004,073**	2,193,464

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

Inter-segment revenue for the six months ended 30 June 2016 is $Nil (six months ended 30 June 2015: $Nil).

The reconciliation between reportable segment assets and liabilities and the Group's consolidated total assets and liabilities as at the end of the period is as follows:

Assets	**30 June 2016 $**	31 December 2015 $
Total assets for reportable segments	**203,657,551**	133,372,687
Unallocated:		
Cash and cash equivalents	**12,785,147**	4,761,163
Available-for-sale financial assets	**4,770,000**	1,548,555
Consolidated total assets	**221,212,698**	139,682,405
Liabilities		
Total liabilities for reportable segments	**47,347,544**	36,880,627
Consolidated total liabilities	**47,347,544**	36,880,627

3. SEGMENTS INFORMATION

The reconciliation between reportable segment profit (loss) and the Group's consolidated loss for the period is as follows:

Profit or loss	30 June 2016 $	30 June 2015 $
Profit (loss) from continuing operations	**70,350,305**	(15,429,224)
Profit from discontinued operations	**-**	70,443,188
	70,350,305	55,013,964
Elimination of inter segment transactions	**-**	-
Consolidated profit before tax	**70,350,305**	55,013,964

4. JOINT OPERATION

Accounting policy
The Company recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out below.

The Company executed an Acquisition & Development Agreement Mt. Cattlin Project ("ADA") with General Mining Corporation Limited ("GMM") on 4 September 2015 which entitled GMM to acquire a 50% interest in the Mt Cattlin Project, including all tenements, plant and equipment, consumables and net of rehabilitation obligations, for $25 million consideration. The consideration consists of $7 million capital expenditure ("CapEx") on the Mt Cattlin Plant and payment of $18 million cash in quarterly instalments over three years. The first two major milestones under the ADA were achieved by GMM being CapEx commitments on the Mt Cattlin plant of $7 million by 31 December 2015 and starting production by 31 March 2016, which entitles GMM to the first 14% equity transfer. Additional equity will be transferred as quarterly repayments of $1.5 million are made by GMM over three years.

The ADA states that from the production commencement date GMM will be the Manager of the Mt Cattlin Project to operate within the capital expenditure and operating costs budgets as approved by the Management Committee, formed by two members from each party to the ADA. GMM will have exclusive licence to use the Mt Cattlin assets to undertake all production and sell all concentrate while Galaxy will be entitled to a royalty of 50% of the profits.

(a) Sale of Mt Cattlin net assets

On 1 April 2016, GMM confirmed achieving the commencement of production milestone at Mt Cattlin and triggering the right to a transfer of equity in the project under the ADA. From this date, GMM has the right to 50% profits from Mt Cattlin, subject to it satisfying its quarterly repayment of deferred purchase consideration of $18 million. The Company has recorded a disposal of 50% of the Mt Cattlin net assets and recorded deferred purchase consideration receivables as follows:

Consideration:	
Current receivables	6,000,000
Non-current receivables	12,000,000
Property, plant & equipment	3,500,000
	21,500,000
Net assets sold:	
Inventories	532,228
Property, plant & equipment	20,610,953
Exploration and evaluation assets	1,854,250
Rehabilitation provision	(1,497,431)
	21,500,000

(b) Share of joint operation

At 30 June 2016 the Company has recorded a 50% share in the following net assets of the Mt Cattlin project relating to the joint operation with GMM for the period 1 April to 30 June 2016:

Current Assets	
Cash and cash equivalents	12,119,968
Trade receivables	794,000
Inventories	23,338
	12,937,306
Non-Current Assets	
Property, plant and equipment	7,973,404
Exploration and evaluation assets	1,245,410
	9,218,814
Total Assets	22,156,120
Current Liabilities	
Trade payables	9,941,518
Advance payments	12,119,580
Employee provisions	95,022
	22,156,120

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Plant & Equipment	Mine development expenditure	Total
Cost	**$**	**$**	**$**	**$**
Balance at 1 January 2015	1,411,742	127,980,156	17,707,736	147,099,634
Additions	-	18,986	-	18,986
Disposals	-	(307,325)	-	(307,325)
Foreign exchange movement	-	(140,238)	-	(140,238)
Balance at 31 December 2015	1,411,742	127,551,579	17,707,736	146,671,057
Additions	**-**	**7,517,009**	**-**	**7,517,009**
Disposals	**-**	**(63,364,385)**	**(8,853,868)**	**(72,218,253)**
Foreign exchange movement	**-**	**(57,483)**	**-**	**(57,483)**
Balance at 30 June 2016	**1,411,742**	**71,646,720**	**8,853,868**	**81,912,330**
Accumulated Depreciation				
Balance at 1 January 2015	-	127,483,249	17,707,736	145,190,985
Depreciation	-	120,200	-	120,200
Disposals	-	(255,320)	-	(255,320)
Foreign exchange movement	-	(69,630)	-	(69,630)
Balance at 31 December 2015	-	127,278,499	17,707,736	144,986,235
Depreciation	**-**	**45,764**	**-**	**45,764**
Impairment reversal	**-**	**(64,069,871)**	**(11,620,725)**	**(75,690,596)**
Disposals	**-**	**(45,910,096)**	**(5,689,483)**	**(51,599,579)**
Foreign exchange movement	**-**	**(29,038)**	**-**	**(29,038)**
Balance at 30 June 2016	**-**	**17,315,258**	**397,528**	**17,712,786**
Net book value				
At 31 December 2015	1,411,742	273,080	-	1,684,822
At 30 June 2016	**1,411,742**	**54,331,462**	**8,456,340**	**64,199,544**

(a) Reversal of impairment property, plant and equipment

Accounting policy
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 or amortisation, if no impairment loss had been recognised.

The Mt Cattlin mine and processing plant operations, which is part of the Australian operating segment (refer to note 3), had been suspended since July 2012 and had a carrying value of $1.4 million at 31 December 2015 representing land value.

The Company executed the ADA with GMM on 4 September 2015 for GMM to acquire a 50% interest in Mt Cattlin (as detailed in note 4). On 1 April 2016 GMM confirmed commencement of production at Mt Cattlin and triggered a reassessment of the recoverable amount of the property, plant & equipment by the Company as at 31 March 2016. On the basis of the cash consideration payable by GMM in the ADA, the Company reassessed the carrying value of the Mt Cattlin property, plant and equipment to be $43 million and credited an impairment reversal of $41,221,906 to the profit or loss for the period ended 30 June 2016. Subsequently on 1 April 2016 the Company recorded a disposal of $20,610,953 property, plant and equipment as part of the consideration for the GMM sale.

On 30 May 2016 the Company announced an offer to acquire the outstanding common shares of GMM at an exchange rate of 1.65 Galaxy shares for every GMM share. GMM's principal asset is its interest in Mt Cattlin and the takeover offer by Galaxy valued the GMM share in Mt Cattlin project at $217 million at the time of the offer. At 30 June 2016, on the basis of this market evidence, the Company reassessed the carrying value of its retained interest in the Mt Cattlin property, plant and equipment to be $55 million being the estimated written down value if the property, plant and equipment had continued to be depreciated and not impaired. An additional impairment reversal of $34,468,690 was credited to the profit or loss for the period ended 30 June 2016 bringing the total impairment reversal to $75,690,596.

6. EXPLORATION AND EVALUATION ASSETS

	Boxwood Hill $	Mt Cattlin $	Sal de Vida $	James Bay $	**Total $**
Cost:					
Balance at 1 January 2015	-	3,734,804	125,260,321	2,000,000	130,995,125
Additions	7,583	246,076	1,901,915	18,904	2,174,478
Impairment	(7,583)	(311,720)	-	-	(319,303)
Foreign exchange movement	-	-	(8,717,879)	(126,906)	(8,844,785)
Balance at 31 December 2015	-	3,669,160	118,444,357	1,891,998	124,005,515
Additions	**-**	**642,420**	**419,041**	**61,607**	**1,123,068**
Disposals	**-**	**(1,854,250)**	**-**	**-**	**(1,854,250)**
Foreign exchange movement	**-**	**-**	**(3,279,739)**	**94,494**	**(3,185,245)**
Balance at 30 June 2016	**-**	**2,457,330**	**115,583,659**	**2,048,099**	**120,089,088**

Mt Cattlin

On 1 April 2016 the Company recorded a 50% disposal of the Mt Cattlin tenements in line with the terms of the ADA with GMM (refer note 4).

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2016 $	31 December 2015 $
Equity securities, at fair value	**4,770,000**	1,548,555

As at 30 June 2016 the Group's available-for-sale financial assets included 6 million shares in GMM which were revalued on the basis of a significant increase in their fair market value. Improved conditions in the market in which these securities operated indicated that the fair value of the Group's investment had increased so the securities were revalued and a gain $3,235,285 (year ended 31 December 2015: $1,459,715) was recognised in other comprehensive income for the half year ended 30 June 2016.

8. INVENTORIES

Current	**30 June 2016 $**	31 December 2015 $
Consumables – at cost	**1,090,982**	2,158,763
Provision for obsolescence	**(547,086)**	(1,094,171)
Carrying amount of inventories in continuing operations	**543,896**	1,064,592

9. CASH AND CASH EQUIVALENTS

At 30 June 2016 cash and cash equivalents were $12,785,147 (31 December 2015: $4,761,163) which included USD 1.0 million (31 December 2015: USD 2.8 million) representing $1,398,686 (31 December 2015: $3,823,970) of the total cash balance.

Included in cash and cash equivalents at 30 June 2016 is $4,605,335 (31 December 2015: $6,200,000) in a collateral bank account set aside to provide the equivalent of two years interest on the Finance Facility from OL Master (Singapore) Pte. Limited (refer note 10).

10. INTEREST BEARING LIABILITIES

	30 June 2016 $	31 December 2015 $
Current		
Secured loan facility	**3,945,205**	-
Capitalised finance costs	**(934,649)**	-
Balance at end of the year	**3,010,556**	-
Non-current		
Secured loan facility	**27,054,795**	31,000,000
Capitalised finance costs	**(1,305,948)**	(2,706,641)
Balance at end of the year	**25,748,847**	28,293,359

On 24 November 2015 the Company executed a Facility Agreement with OL Master (Singapore) Pte. Limited for a secured loan of $31 million for a term of 3 years. Interest rate on the facility is 10% and fees to establish the facility included a facility fee of 8% payable in shares (refer note 13(a)(ii)) and 10 million warrants (refer note 13(d)). The facility was fully drawn at 31 December 2015 with funds of $6.2 million remaining uncredited to the Company's account at that date. These remaining funds were subsequently received in February 2016 once a suitable bank account was established to meet the facility requirements. This account is required to contain the equivalent of two years interest on the secured loan balance at any time during the first two years of the facility. The account will also receive distributions from the Mt Cattlin operations of which 70% will be utilised to repay the secured loan and 30% transferred to the Company.

The secured loan facility is recognised and measured at amortised cost.

11. CONTINGENT ASSETS AND LIABILITIES

On 10 June 2016 the Company signed an engagement letter for financial advisor services in relation to the takeover transaction with GMM. In the event Galaxy is the successful acquirer of GMM with 80% or more acceptances, the Company is committed to pay the financial advisor a base fee of $1,250,000 in cash and $1,612,500 to be paid in equivalent securities of Galaxy.

Except for item above and the disputed items with Tianqi detailed in note 17(a) there are no other material contingent assets or liabilities as at 30 June 2016 (31 December 2015: None).

12. EQUITY

(a) Contributed equity

(i) Share capital

	30 June 2016 Shares	31 December 2015 Shares	**30 June 2016 $**	31 December 2015 $
Fully paid ordinary shares	**1,284,119,053**	1,264,433,185	**460,568,882**	459,217,804

(ii) Movement in ordinary share capital

	Number of shares	**$**
Balance 1 January 2015	1,064,783,990	450,692,932
Employee share issues	38,400,000	1,552,600
Loan conversion	129,016,286	4,515,570
Facility fee	32,232,909	2,480,000
Transaction costs	-	(23,298)
Balance at 31 December 2015	1,264,433,185	459,217,804
Employee exercise of SARS	**7,685,868**	**-**
Exercise of options	**12,000,000**	**1,362,220**
Share transaction costs	**-**	**(11,142)**
Balance at 30 June 2016	**1,284,119,053**	**460,568,882**

12. EQUITY

(b) Reserves

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

	Equity-settled payments reserve $	Foreign currency translation reserve $	Fair value reserve $	Capital reserve $	Total reserves $
Balance at 1 January 2015	15,148,819	(3,162,721)	-	-	11,986,098
Foreign currency translation differences	-	2,140,165	-	-	2,140,165
Currency translation differences transferred to income	-	(8,320,093)	-	-	(8,320,093)
Revaluation of available for sale financial assets	-	-	205,000	-	205,000
Total comprehensive loss	-	(6,179,928)	205,000	-	(5,974,928)
Transactions with owners in their capacity as owners					
Share-based payment transactions	1,382,675	-	-	-	1,382,675
Transfer of reserve upon forfeit of options	(8,310,750)	-	-	-	(8,310,750)
Balance at 30 June 2015	8,220,744	(9,342,649)	205,000	-	(916,905)
Balance at 1 January 2016	8,485,091	(16,577,602)	1,459,715	-	(6,632,796)
Foreign currency translation differences	**-**	**(3,331,491)**	**-**	**-**	**(3,331,491)**
Revaluation of available for sale financial assets	**-**	**-**	**3,235,285**	**-**	**3,235,285**
Total comprehensive loss	**-**	**(3,331,491)**	**3,235,285**	**-**	**(96,206)**
Transactions with owners in their capacity as owners					
Transfer of reserve upon exercise of options	**(402,220)**	-	-		**(402,220)**
Transfer of reserve upon forfeit of options	**(2,304,020)**	**-**	**-**		**(2,304,020)**
Gain on acquisition of non-controlling interest				**3,958,536**	**3,958,536**
Balance at 30 June 2016	**5,778,851**	**(19,909,093)**	**4,695,000**	**3,958,536**	**(5,476,706)**

(c) Non-controlling interests

On 29 March 2016 the Group executed a Share Assignment Agreement with Sal de Vida Korea Corporation ("Kores") whereby Kores transferred all rights, title and interest in 305,760 common shares of Galaxy Lithium (Sal de Vida) S.A. ("SDV") to the Group, representing 4% of the total shares on issue, for Nil consideration. From 29 March 2016 SDV became a wholly owned subsidiary of the Group and the gain on acquisition was transferred to the capital reserve.

13. SHARE BASED PAYMENTS

a. Shares

i. Director and management shares

No shares were issued to directors or management during the six months ended 30 June 2016 (six months ended 30 June 2015: 38,400,000). No share based payments have been expensed to the profit and loss for the six months ended 30 June 2016 (six months ended 30 June 2015: $1,552,600). Details of shares issued to directors and management in the previous financial year were disclosed in the 2015 Annual Report.

ii. Financier shares

On 24 November 2015 the Company executed a Facility Agreement for a secured loan of $31 million for a term of 3 years (refer note 9). As a condition of the agreement 32,232,909 fully paid ordinary shares were issued to the financier representing an 8% facility fee. A capitalised financing fee of $2,480,000 ($0.07694 per share) was recorded against the secured loan facility on the balance sheet to be expensed over the period of the loan. During the six months ended 30 June 2016 the Company expensed $412,201 (year ended 31 December 2015: $86,064) share based payment to the profit or loss.

b. Share appreciation rights (SARS)

No share appreciation rights were issued to directors or management during the six months ended 30 June 2016 (six months ended 30 June 2015: 37,100,000). No share based payments have been expensed to the profit and loss for the six months ended 30 June 2016 (six months ended 30 June 2015: $952,675). Details of share appreciation rights issued to directors and management in the previous financial year were disclosed in the 2015 Annual Report.

c. Options

No options were issued during the six months ended 30 June 2016 (six months ended 30 June 2015: 25,000,000). No share based payments have been expensed to the profit and loss for the six months ended 30 June 2016 (six months ended 30 June 2015: $430,000). Details of options issued in the previous financial year were disclosed in the 2015 Annual Report.

d. Warrants

On 24 November 2015 the Company executed a Facility Agreement for a secured loan of $31 million for a term of 3 years (refer note 9). As a condition of the facility Galaxy also executed a Warrant Instrument agreement on the same day which entitles the financier to 10,000,000 warrants in the Company to be issued 6 months from the date of the agreement subject to approval by the shareholders of the Company. The warrants entitle the financier to subscribe for fully paid ordinary shares in the Company, exercisable at the higher of $0.08 or the 20 day VWAP at 192 days from the agreement date, expire 3 years from the agreement date and vest immediately.

The warrants to be granted to the lender was valued at $323,947 and capitalised against the secured loan facility on the statement of financial position to be expensed over the period of the loan. During the six months ended 30 June 2016 $53,843 (year ended 31 December 2015 $11,242) was expensed to the profit or loss.

On 28 May 2016 OCP signed a Letter of Consent allowing Galaxy to change its capital structure and therefore proceed with the GMM takeover. As a condition of this consent the Company agreed to modify the warrant exercise price to a fixed amount of 41.5 cents per share. As the amended exercise price is not materially different to the original exercise price the Company has not adjusted the capitalised cost of the warrants in the accounts for the period ended 30 June 2016.

e. Recognised share based payment expense in profit or loss

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

	30 June 2016 $	30 June 2015 $
Recognised as employment costs in the profit and loss:		
Expense arising from directors, or their nominees shares and SARS	**-**	1,865,525
Expense arising from employee shares and SARS	**-**	639,750
	-	2,505,275
Recognised as finance costs in the profit and loss:		
Expense arising from financier shares and warrants	**466,044**	-
Expense arising from lender options	**-**	430,000
Total share based payments	**466,044**	2,935,275

14. COMMITMENTS

(a) Capital commitments outstanding as at each balance sheet date not provided for in the consolidated financial statements were as follows:

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 specified by the Western Australia State Government. The estimated exploration expenditure commitment for the ensuing year, but not recognised as a liability in the balance sheet is as follows:

	30 June 2016 $	31 December 2015 $
Within one year	**531,000**	521,400

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. Tenure to mining tenements can be released by the Group and returned to the Australian government after one year. The remaining period of mining tenements is optional. As such, the minimum expenditure requirements relating to mining tenements fall within one year.

b) As at each statement of financial position date, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2016 $	31 December 2015 $
Within one year	**112,553**	195,498
More than one year but less than five years	**5,047**	6,641
	117,600	202,139

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

15. RELATED PARTY TRANSACTIONS

Except for the Joint Operation transactions detailed in note 4, no other related party transactions have occurred in the six months ended 30 June 2016. Details of related party transactions in the previous financial year were disclosed in the 2015 Annual Report. No share based payments have been expensed to the profit and loss for the six months ended 30 June 2016 (30 June 2015: $1,865,525).

16. EVENTS SUBSEQUENT TO REPORTING DATE

On 12 July 2016 the Company announced that a second definitive offtake agreement had been executed between GMM, Mitsubishi Corporation and a Chinese customer for the sale of 15,000 tonnes of lithium concentrate from the Mt Cattlin plant in 2016. It was also confirmed that a 50% prepayment of US$ 4.5 million had been received by GMM.

On 9 August 2016 the Company announced that an off-market takeover bid for GMM Limited had successfully closed with Galaxy acquiring a relevant interest in 96.74% of GMM's fully paid ordinary shares. The Company has also sent a compulsory acquisition notice to acquire the remaining GMM shares not accepted in the takeover bid, and expects to complete the acquisition by 30 September 2016.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report 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.

17. DISCONTINUED OPERATION

(a) Description

On 30 April 2014 the Company announced a binding Share Purchase Agreement ("SPA") with Sichuan Tianqi Lithium Industries ("Tianqi") for the sale of Galaxy Lithium International Limited ("GLIL"), the entity which holds the Jiangsu Lithium Carbonate plant. The SPA included an enterprise value of US$230 million (A$249 million), with Tianqi assuming US$108 million (A$117 million) of Chinese bank debt at Galaxy Jiangsu and a cash component of US$122 million (A$132 million), before any working capital adjustments for the balance. On 13 May 2014 the shareholders of Tianqi approved the payment of US$12.2 million (A$13 million) representing 10% of the cash component by way of a deposit for the purchase. The deposit was received on 20 May 2014. On 20 June 2014, at an EGM, Galaxy shareholders voted in support of the sale transaction.

On 2 February 2015 the Company announced revised terms of the SPA for the GLIL Disposal. The revised enterprise value was US$173.2 million (A$227 million) comprising cash consideration of US$71.7 million (A$94 million) and assumption of the Chinese bank debt. On 10 March 2015 Tianqi shareholders approved the revised SPA and then on 17 March 2015 Galaxy shareholders also approved the revised transaction.

On 14 April 2015 all cash consideration for the sale was received. In accordance with the amended SPA, Tianqi was responsible for 50% of the Jiangsu plant running costs from February 2015 to the completion of the sale. Galaxy has tried unsuccessfully to negotiate the final adjustment amount with Tianqi and has now commenced legal proceedings in the High Court of Hong Kong against Tianqi HK Co., Limited for payment of the sum of $US2,108,910 (A$2.9 million) plus legal costs and interest. On 4 February 2016, Tianqi HK lodged a defence and counterclaim denying the claim made against it and seeking payment of the sum of RMB18,766,353 (A$3.97 million) on account of alleged breaches of warranties arising out of the same transaction, plus legal costs and interest. Any financial settlement of these claims is likely to be for a sum less than the full claims. Given the status and similar quantum of these disputed transactions the Company has not provided a receivable or payable respectively for these items in the financial statements at 30 June 2016.

17. DISCONTINUED OPERATION

(b) Financial performance and cash flow information

	30 June 2016 $	30 June 2015 $
Revenue	-	172,591
Expenses	-	(5,786,549)
Loss before income tax	-	(5,613,959)
Income tax expense	-	-
Loss after income tax of discontinued operation	-	(5,613,959)
Gain on sale of the subsidiary after income tax (see (c) below)	-	76,057,147
Profit from discontinued operation	-	70,443,188
Net cash outflow from operating activities	-	(2,372,720)
Net cash inflow from investing activities	-	(1) 46,946,553
Net cash outflow from financing activities	-	(4,514,018)
Net increase in cash from discontinued operations	-	40,059,815

(1) Gross sale proceeds were offset by non-cash repayment of the sale deposit of $16.1 million (US$12.2 million) and the Tianqi loan of $40.7 million (US$30 million).

(c) Details of the sale of the subsidiary

Consideration received or receivable:

Total disposal consideration - cash	-	103,714,762
Carrying amount of net assets sold	-	(35,977,708)
Gain on sale before income tax and reclassification of foreign currency translation reserve	-	67,737,054
Reclassification of foreign currency translation reserve	-	8,320,093
Income tax expense on gain	-	-
Gain on sale after income tax	-	76,057,147

(c) Details of the sale of the subsidiary

The carrying amounts of assets and liabilities as at the date of sale (14 April 2015) were:

	14 April 2015 $
Cash and cash equivalents	**298,463**
Property, plant and equipment	**165,389,091**
Lease prepayments	**1,976,898**
Trade and other receivables	**21,089,635**
Inventories	**11,320,188**
Total assets	**200,074,275**
Trade creditors and accruals	**36,015,232**
Interest bearing liabilities	**128,081,335**
Total liabilities	**164,096,567**
Net Assets	**35,977,708**

18. INCOME TAX

(a) Reconciliation of income tax expense to prima facie tax payable

	Period ended 30 June 2016 $	Period ended 30 June 2015 $
Accounting profit (loss) before tax from continuing operations	**70,350,305**	(15,429,224)
Profit before tax from discontinued operations	**-**	70,443,188
Accounting profit before income tax	**70,350,305**	55,013,964
Tax at the statutory income tax rate of 30%	**21,105,092**	16,504,189
Non-deductible expenses	**22,460**	3,879,133
Unbooked temporary differences brought to account	**(17,295,486)**	(4,265,172)
Tax losses brought to account as a deferred tax asset	**(3,857,633)**	7,439,852
Non-assessable income	**(125,932)**	(22,821,100)
Overs / unders	**151,499**	(736,902)
Income tax expense	**-**	-

(b) Unrecognised deferred tax assets

Deferred tax assets (recognised at 30%) have not been recognised in respect of the temporary differences on the following Items:

	30 June 2016 $	31 December 2015 $
Other deductible temporary differences	**-**	18,679,177
Unused tax losses	**61,965,835**	65,822,435
	61,965,835	84,501,612

19. NON-CASH INVESTING ACTIVITIES

		30 June 2016 $	30 June 2015 $
Deferred consideration on disposal of property, plant and equipment	*4(a)*	**17,110,953**	-
Deferred consideration on disposal of exploration and evaluation assets	*4(a)*	**1,854,250**	-
Net settlement of debt with purchaser on sale of discontinued operations	*17(b)*	**-**	56,756,583

In the opinion of the Directors of Galaxy Resources Limited:

(a) the financial statements and notes set out on pages 4 to 18 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 30 June 2016 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.

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

Dated at Perth this 13th day of September 2016.

A P Tse
Managing Director

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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), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Galaxy Resources Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

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 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 consolidated entity's financial position as at 30 June 2016 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

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

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 consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and

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

PricewaterhouseCoopers

PricewaterhouseCoopers

N Henry

Nick Henry
Partner

Perth
13 September 2016