GALAXY RESOURCES LIMITED

ABN 11 071 976 442

ANNUAL REPORT
YEAR ENDED 31 DECEMBER 2014

www.galaxylithium.com

Corporate Directory

Board of Directors

Mr Martin Rowley (Independent Non-Executive Chairman)
Mr Anthony Tse (Managing Director)
Mr Charles Whitfield (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

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16 Ord Street
West Perth WA 6005
Australia
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Emails: reception@galaxylithium.com (General Enquiries)
Website: www.galaxylithium.com

Share Registries

Computershare Investor Services Pty Ltd
Level 2, 45 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, 9th 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

Allion Legal Pty Ltd (Australia)
Level 2
50 Kings Park Road
West Perth Western Australia 6005
Australia

Fasken Martineau DuMoulin LLP (Canada)
The Stock Exchange Tower
Suite 3700
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 and GXYO

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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 at the end of, or during, the year ended 31 December 2014.

DIRECTORS AND COMPANY SECRETARY

The following persons were directors of the Company during the whole of the financial year and up to the date of this report:
Martin Rowley
Anthony Tse
Charles Whitfield
Jian-Nan (George) Zhang

Kai Cheong Kwan was a director from the beginning of the financial year until his resignation on 30 June 2014.

The company secretary is Simon Robertson B.Bus MApp Fin. Mr Robertson was appointed on 28 November 2014 and currently holds the position of Company Secretary for a number of public listed companies and has experience in corporate finance, accounting and administration, capital raisings and ASX compliance and regulatory requirements. Mr Robertson replaced Andrew Meloncelli who resigned on 28 November 2014.

PRINCIPAL ACTIVITIES

The principal activities of the entities within the Group are:

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

During the year ended 31 December 2014 the Group progressed the divestment of the Jiangsu lithium carbonate plant and will now focus on continuing to unlock and realise value from its other principal assets Mt Cattlin, Sal de Vida and James Bay.

DIVIDENDS

No dividends have been paid by the Company during the year ended 31 December 2014, nor have the Directors recommended that any dividends be paid.

OPERATING RESULTS FOR THE PERIOD

The Group's loss was $54,703,347 after tax for the year to 31 December 2014 (31 December 2013: $107,901,699).

REVIEW OF OPERATIONS

Corporate

The Company continued to progress numerous initiatives in relation to the ongoing financial restructuring of the balance sheet and improvement of its cash flow. Following the re-composition of the Board of Directors at the end of 2013, senior management led a broad strategic review on the financial position of the Company, the conclusion of which was that Galaxy needed to urgently find ways to restructure and in the longer term, reduce its debt levels and negative cash flow while also retaining those key assets that would allow the Company to pursue a growth strategy in the future.

These initiatives culminated with the announcement of the 100% divestment of the Jiangsu lithium carbonate plant in China, a transaction valued at an enterprise value of US$173.2 million, which would result in the Company de-consolidating US$101.5 million of debt and receive a cash consideration of US$71.7 million while allowing it to retain its primary assets, including its flagship development the Sal de Vida lithium and potash brine project. This transaction was announced in April 2014 and throughout the year the Company continued to work with the purchaser to meet the various regulatory requirements in China.

In light of the importance of the Jiangsu transaction to the overall financial restructuring of the Galaxy, during the course of the year the Company only maintained a very limited level of operations and development initiatives across the rest of the Group.

The Company continued to take steps towards reducing general overheads and staffing levels in certain areas, while also in November, strengthening its management team with new appointments in the roles of Chief Financial Officer, Company Secretary and Director of Investor Relations.

Jiangsu Operations

The switchover to Talison spodumene feedstock was completed in the first quarter and for that period, Jiangsu continued to produce and sell lithium carbonate to its lithium battery material customers in China. In March, Jiangsu announced that it would be entering into a spodumene tolling agreement with Sichuan Tianqi Lithium Inc. ("Tianqi"), whereby it would be producing lithium carbonate on behalf of Tianqi. Subsequently in April, Galaxy announced it had entered into an agreement with Tianqi, for the 100% sale of Galaxy Lithium International Limited (parent of the Jiangsu subsidiary) to Tianqi.

During the year, Jiangsu continued its tolling arrangements for Tianqi, producing over 4,600 tonnes of lithium carbonate. Galaxy management also continued discussions and negotiations with the Chinese banks, successfully rescheduling and restructuring over US$60 million of debt that was to fall due during the course of the year.

Mt Cattlin Operations

The operations at Ravensthorpe remained on care and maintenance. Subsequent to the year-end, in February 2015 Galaxy announced it had entered into a binding term sheet with General Mining Corporation Limited ("GMM"), whereby it would be granting GMM a three-year operating right for the Mt Cattlin operations to primarily produce tantalum, in return for a $2.5 million per annum lease fee and a 10% royalty on all tantalum produced and sold and 50% of the revenue of any spodumene produced and sold. At any time during the 3 year lease period, GMM would have an option to acquire Mt Cattlin for $30 million (less the total of tatalum royalties and share of spodumene revenue to that date), upon exercise of which, Galaxy would retain a 3% net smelter return on all mineral production.

Sal de Vida

During the year, while other financial restructuring initiatives were continuing at the Group-level, Galaxy maintained a low level of test and development work for its Sal de Vida project. It completed the acquisition of the last remaining outstanding tenements relating to the project and now owns all the land parcels necessary for extraction and the processing facilities in the future. Importantly, it also completed the last of its environmental permitting and the project has now obtained all major approvals necessary for development.

Galaxy began work on certain revisions to the original Definitive Feasibility Study for the project, with the objective of adopting a staged approach to the development of Sal de Vida. This will mean that Galaxy will look to progress phase one on the basis of a reduced initial production capacity, in the range of 6,000 to 8,000 tpa of lithium carbonate equivalent ("LCE") with a scaled down capital expenditure of circa US$120 million.

James Bay

The James Bay project is a hard rock lithium pegmatite project located in Quebec, Canada. Galaxy has continued to evaluate strategic options for this project.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The state of affairs of the Company are as follows:

- On 30 April 2014 Galaxy announced the signing of Share Purchase Agreement ("SPA") for the sale of its shares in wholly owned subsidiary Galaxy Lithium International Limited ("GLIL"), including the Jiangsu Lithium Carbonate Plant ("Jiangsu Plant") and associated bank debt of RMB 654 million (approximately $112 million) for US$122 million (approximately ($132 million), to Tianqi HK Co. Limited ("Tianqi"),("The GLIL Disposal") which is part of the Sichuan Tianqi Lithium Industries Inc group ("Sichuan Tianqi"). Completion of the sale agreement was subject to Australian and PRC regulatory approval and both Galaxy and Sichuan Tianqi shareholder approval.
- On 2 February 2015 the Company announced revised terms of the Share Purchase Agreement ("SPA") for the sale of GLIL. The revised enterprise value was US$173.2 million (approximately $223 million) comprising a cash consideration of US$71.7 million (approximately $92.3 million) and assumption of the Chinese bank debt. On closing of the SPA, the Company projects a pro-forma cash on hand of approximately $50 million. Shareholder approval of the revised SPA by both the Company's shareholders and the shareholders of Sichuan Tianqi was received in March 2015 and all other conditions precedent have now been satisfied.

EVENTS SUBSEQUENT TO REPORTING DATE

- On 30 January 2015, the Company suspended trading on the ASX.
- On 2 February 2015 the Company announced revised terms of the SPA for the sale of GLIL. The revised enterprise value is US$173.2 million (approximately $223 million) comprising a cash consideration of US$71.7 million (approximately $92.3 million) and assumption of the Chinese bank debt.
- On 9 February 2015 the Company announced the signing of a binding term sheet with General Mining Corporation Limited ("GMM") for the sole rights to operate the Mt Cattlin project for a period of three years with the option to purchase Mt Cattlin for $30 million plus a 3% net smelter return. The Company will receive a $2.5 million annual lease fee and a 10% production royalty on tantalum production plus 50% of the revenue from any spodumene production.
- On 31 March 2015 the Company announced that all conditions precedent on the SPA had been satisfied and the closing of the transaction was proceeding. On closing the Company projects a pro-forma cash on hand of approximately $50 million. The Company also recommenced trading.

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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company and Group intend to continue to seek ways of unlocking and realizing value from the existing assets of Sal De Vida and James Bay and to seek new investment opportunities in the resources sector. For further information refer to the Operational Review within the Annual Report.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

INFORMATION ON DIRECTORS

MARTIN ROWLEY

Chairman, Independent Non-Executive Director

Mr Rowley was a co-founder of TSX and LSE-listed First Quantum Minerals Ltd and is currently that company's Executive Director, Business Development. First Quantum is one of the world's largest copper production companies and the owner of the Ravensthorpe nickel project in Western Australia with a market capitalisation over A$9 billion. He was previously non-executive Chairman and director of Lithium One Inc., which was acquired by Galaxy by way of a Plan of Arrangement in July 2012. He is also non-executive Chairman and a director of Forsys Metals Corp, a TSX-listed company in the uranium sector. Appointed as Chairman and Director on 28 November 2013.

Special Responsibilities: Chairman and Member of the Remuneration and Nomination Committee and Member of Audit and Risk Management Committee.

Directors Interests: 5,913,423 fully paid ordinary shares and nil options.

Current Directorships: First Quantum Minerals Ltd and Forsys Metals Corp.

Past Directorships (last 3 years): Lithium One Inc.

ANTHONY TSE

Managing Director

Mr Tse has been an Executive Director since 13 October 2010 and subsequently Managing Director since 11 June 2013. Mr Tse has over 20 years of corporate experience in numerous high-growth industries such as technology, internet/mobile, media & entertainment and resource & commodities – primarily in senior management, capital markets and M&A roles across Greater China and Asia Pacific. His previous management roles include various positions in News Corporation's STAR TV, the Deputy General Manager of TOM Online, Director of Corporate Development at Hutchison Whampoa's TOM Group, President of China Entertainment Television (a joint venture between TOM and Time Warner), and CEO of CSN Corp. He is also a Fellow of the Hong Kong Institute of Directors (HKIoD) and a member of the Hong Kong Mining Investment Professionals Association (HKMIPA).

Special Responsibilities: Nil.

Directors Interests: 12,118,644 fully paid ordinary shares and 1,000,000 options.

Current Directorships: Nil.

Past Directorships (last 3 years): Nil.

CHARLES WHITFIELD

Executive Director

Mr Whitfield was an Executive Director from 13 October 2010 until 30 April 2013. He was subsequently reappointed on 28 November 2013 with responsibilities for corporate finance, merger and acquisition activities and treasury. He has been a director and a chief investment officer of Drumrock Capital since March 2008. He was formerly a managing director with Citigroup Global Markets Asia Limited. Prior to this, he worked for Deutsche Bank Group, where his last position was head of the Structured Equity Transaction Division.

Mr Whitfield received his Masters in Business Administration from Columbia Business School (New York) in 1998 and his Bachelor of Economics from The University of Exeter (U.K.) in 1992.

Special Responsibilities: Nil.

Directors Interests: 12,118,644 fully paid ordinary shares and 1,000,000 options.

Current Directorships: Nil.

Past Directorships (last 3 years): Nil.

JIAN-NAN (GEORGE) ZHANG

Non-Independent Non-Executive Director

Mr Zhang is the Deputy General Manager of Fengli Group (Australia) Pty Ltd, a subsidiary of the Fengli Group in China, which is a leading private industrial group in China, with diversified interests in iron and steel, commodities trading, shipping and wharf operation related businesses. He was previously Managing Director of Winly Trade & Investment in China. Appointed as a Director on 28 November 2013.

Special Responsibilities: Nil.

Directors Interests: 1,059,322 fully paid ordinary shares and Nil options.

Current Directorships: Nil.

Past Directorships (last 3 years): Nil.

KAI CHEONG KWAN

Independent Non-Executive Director (resigned 30 June 2014)

Mr Kwan graduated from the University of Singapore (since renamed as the National University of Singapore) in 1973 with a degree in Accountancy. Mr Kwan qualified as a Chartered Accountant in Australia in 1979 and has been a member of the Hong Kong Institute of Certified Public Accountants since 1982. He completed the Stanford Executive Program in 1992. Mr Kwan worked for Merrill Lynch & Co. Inc. (Merrill Lynch) for over 10 years during the period from 1982 to 1993. His last position with Merrill Lynch was president for its Asia Pacific region. Mr Kwan was appointed as Independent Non-executive Director on 13 October 2010. In addition to the above mentioned positions, Mr Kwan acts as a Director for a number of companies listed on the Stock Exchange of Hong Kong.

Special Responsibilities: Chairman and Member of the Audit and Risk Management Committee and Member of Remuneration and Nomination Committee.

Directors Interests: N/A

Current Directorships: United Photovoltaics Group Ltd (formerly known as Golypoly New Energy Holdings Ltd), China Properties Group Ltd, Greenland Hong Kong Holdings Ltd (formerly known as SPG Land (Holdings) Ltd), Win Hanverky Holdings Ltd, Henderson Sunlight Asset Management Limited and Hutchison Harbour Ring Ltd.

Past Directorships (last 3 years): Soundwill Holdings Ltd and JF Household Furnishings Ltd.

MEETINGS OF DIRECTORS

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

Name	Board Meetings		Audit and Risk Management Committee Meetings	
	A	B	A	B
Martin Rowley	6	6	2	2
Anthony Tse	6	6	-	-
Charles Whitfield	6	6	-	-
Kai Kwan (Resigned 30 June 2014)	6	6	1	1
Jian Zhang	6	- [C]	-	-

A – Number of meetings held during the time the director held office during the year.
B – Number of meetings attended.
C - Mr Zhang did not attend meetings due to agenda items conflicting with his position as a representative of lender to the Company.

REMUNERATION REPORT - AUDITED

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

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

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

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

A Principles of compensation

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and senior executives for the Group.

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

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

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

Compensation packages include a mix of fixed and variable compensation and short-term and long-term performance-based incentives that are assessed on a 12 month ended 30 June basis.

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

Fixed compensation

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

Performance linked compensation

In light of the need for the Company to continue on its financial restructuring initiatives such as the successful completion of the Jiangsu divestment, the directors have decided to defer consideration for any short term or long term compensation schemes, until such initiatives have been finalised.

Consequences of performance on shareholder wealth
The Remuneration and Nomination Committee takes into account the performance of the Group over a number of years when recommending the overall level of key management personnel compensation

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

The Chairperson receives $75,000 per annum, which in 2014 was issued in shares as approved by shareholders on 20 June 2014.

The Non-Executive Directors receives $50,000 per annum, which in 2014 was issued in shares as approved by shareholders on 20 June 2014.

Directors' fees cover all main board activities and memberships of committees.

B Details of remuneration

	2014	2013
	$	$
Total remuneration received, or due and receivable, by key management personnel of the Group	**3,126,881**	3,384,044

The details of remuneration of the key management personnel and specified executives of the Group are set out in the following tables. The key management personnel of Galaxy as at 31 December 2014 are the following:

- Martin Rowley (Non-Executive Chairman)
- Anthony Tse (Managing Director)
- Charles Whitfield (Executive Director)
- Jian-Nan Zhang (Non-Executive Director)
- Simon Robertson (Company Secretary)
- Rowen Colman (Chief Financial Officer)

Remuneration for the Year Ending 31 December 2014

	Short –term benefits		**Post-employment benefits**	**Share-based payments**		**Proportion of remuneration performance related**
Name	**Cash Salary & Fees**	**Other**	**Superannuation**	**Shares**	**Total**	
	$	**$**	**$**	**$**	**$**	**%**
Executives						
A P Tse	260,306	-	-	715,000	**975,306**	60%
C B F Whitfield	259,971	-	-	715,000	**974,971**	60%
R J Colman (Appointed 13 October 2014)	18,426	-	-	-	**18,426**	-
S L Robertson (Appointed 20 October 2014)	11,304	-	-	-	**11,304**	-
J A Sobolewski (Resigned 2 February 2014)	33,899	-	2,610	-	**36,509**	-
A L Meloncelli (Resigned 28 November 2014)	235,798	71,154 (1)	21,330	-	**328,282**	-
Non – Executive Directors						
M R Rowley	-	-	-	683,750	**683,750**	86%
J Zhang	4,583	-	-	62,500	**67,083**	-
K C Kwan (Resigned 30 June 2014)	-	-	-	31,250	**31,250**	-
Total	**824,287**	**71,154**	**23,940**	**2,207,500**	**3,126,881**	

1. Termination payment made in accordance with employment contract and applicable legislation
2. 10,000,000 shares approved for issue to Mr Rowley were issued to unrelated nominees

Remuneration for the Year Ending 31 December 2013

Name	Short –term benefits		Post-employment benefits	Share-based payments		Proportion of remuneration performance related
	Cash Salary & Fees	Other	Superannuation		Total	
	$	$	$	$	$	%
Executives						
A P Tse	324,287	-	-	-	**324,287**	-
C B F Whitfield	324,287	-	-	-	**324,287**	-
A L Meloncelli	225,762	-	20,587	-	**246,349**	-
J Liu	263,520	-	21,492	-	**285,012**	-
J A Sobolewski	256,597	-	23,399	-	**279,996**	-
I KS Tan (Resigned 11 June 2013)	549,848	6,393	41,320	-	**597,561**	-
T A Stark (Ceased 27 Sept 2013)	435,837	-	23,238	-	**459,075**	-
A M Sheth (Ceased 27 Sep 2013)	398,545	-	21,122	-	**419,667**	-
Non – Executive Directors						
M R Rowley (Appointed 28 Nov 13)	-	-	-	-	**-**	-
J Zhang (Appointed 28 Nov 13)	-	-	-	-	**-**	-
K C Kwan	61,832	-	-	-	**61,832**	-
C L Readhead (Resigned 28 Nov 2013)	98,000	-	-	(1) 50,000	**148,000**	-
R J Wanless (Resigned 28 Nov 2013)	57,166	-	5,203	(1) 50,000	**112,369**	-
X Ren (Resigned 7 Nov 2013)	53,510	-	-	-	**53,510**	-
Y Zheng (Resigned 30 April 2013)	23,333	-	-	-	**23,333**	-
M Spratt (Resigned 30 April 2013)	23,333	-	2,100	-	**25,433**	-
S Wu (Resigned 30 April 2013)	23,333	-	-	-	**23,333**	
Total	**3,119,190**	**6,393**	**158,461**	**100,000**	**3,384,044**	

1. Shares disclosed in 2013 were not issued

C Service Agreements

ANTHONY TSE *(MANAGING DIRECTOR)*
Term of Agreement – Mr Tse's Service Agreement is for an unlimited tenure.

Agreement
Under the terms of the agreement, Mr Tse receives fees of $350,000 per annum paid monthly. In 2014 $100,000 was paid in shares and the balance in cash. The cash component has a forex floor of $0.95 against the USD. This was reviewed by the Board and approved by shareholders on 20 June 2014. Remuneration is based on market factors.

CHARLES WHITFIELD *(EXECUTIVE DIRECTOR)*
Term of Agreement – Mr Whitfield's Service Agreement is for an unlimited tenure.

Agreement
Under the terms of the agreement, Mr Whitfield's fees of $350,000 per annum are paid monthly. In 2014 $100,000 was paid in shares and the balance in cash. The cash component has a forex floor of $0.95 against the USD. This was reviewed by the Board and approved by shareholders on 20 June 2014. Remuneration is based on market factors.

Termination
Termination of each service agreement can occur by either party giving three months' notice in writing. Should the service agreement be terminated by the Company without three months' notice, payment in-lieu of the remaining notice period is payable.

Other executives have unlimited tenure service contracts with the Company on a fixed annual salary plus 9.25% superannuation. Each executive must give one to three months' notice to terminate the contract. No other termination benefits are payable.

D Share-based compensation

i. Shares issued

On 20 June 2014 the shareholders approved the issue of 30,000,000 shares to directors (or their nominee(s)) in recognition of their efforts towards the successful restructuring of the Company. At the same meeting shareholders approved the issue of equivalent shares to the value of $350,000 to directors for part remuneration for services provided in the financial year ending 31 December 2014. Details of shares issued to directors (or their nominee(s)) is as follows:

Directors	Date shares granted	Number of shares issued	Issue price $	Value of shares issued $
Anthony Tse	20 June 2014	10,000,000	0.059	590,000
	20 June 2014	2,118,644	0.059	125,000
Charles Whitfield	20 June 2014	10,000,000	0.059	590,000
	20 June 2014	2,118,644	0.059	125,000
Martin Rowley (1)	20 June 2014	10,000,000	0.059	590,000
	20 June 2014	1,588,983	0.059	93,750
Jian Zhang	20 June 2014	1,059,322	0.059	62,500
Kai Kwan (2)	20 June 2014	529,661	0.059	31,250
Total shares issued		**37,415,254**		**2,207,500**

1. 10,000,000 shares approved for issue to Mr Rowley were issued to unrelated nominees and Mr Rowley has no beneficial interest in these shares.
2. Resigned 30 June 2014.

The issue price was determined as the market price on the date the shares were granted.

ii. Options issued

No options were issued to key management personnel during the financial year ended 31 December 2014 (2013: Nil).

E. Additional disclosures relating to key management personnel

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

Shares	Balance at 1 January 2014	Granted as remuneration	Exercise of options	Net change other	Balance at 31 December 2014
Directors					
Martin Rowley	3,849,440	1,588,983	-	475,000	5,913,423
Anthony Tse	-	12,118,644	-	-	12,118,644
Charles Whitfield	-	12,118,644	-	-	12,118,644
Jian Zhang	-	1,059,322	-	-	1,059,322
Kai Kwan (1)	-	529,661	-	(529,661) (3)	-
Other Key Management Personnel					
Andrew Meloncelli (2)	36,494	-	-	(36,494) (3)	-
Total shares	**3,885,934**	**27,415,254**	**-**	**(91,155)**	**31,210,033**

1. Resigned 30 June 2014.
2. Resigned 28 November 2014.
3. Shares held at time of resignation.

Listed Options	Balance at 1 January 2014	Granted as remuneration	Options expired	Net change other	Balance as 31 December 2014	Vested and exercisable at 31 December 2014
Directors						
Martin Rowley	2,887,080	-	(2,887,080)	-	-	-
Other Key Management Personnel						
Andrew Meloncelli (1)	27,371	-	(27,371)	-	-	-
Total options	**2,914,451**	**-**	**(2,914,451)**	**-**	**-**	**-**

1. Resigned 28 November 2014.

Unlisted Options	Balance at 1 January 2014	Granted as remuneration	Options expired	Net change other	Balance as 31 December 2014	Vested and exercisable at 31 December 2014
Directors					-	
Anthony Tse	1,000,000	-	-	-	1,000,000 (4)	-
Charles Whitfield	1,000,000	-	-	-	1,000,000 (4)	-
K C Kwan (1)	1,000,000	-	-	(1,000,000)	-	-
Other Key Management Personnel						
John Sobolewski (2)	2,200,000	-	-	(2,200,000)	-	-
Jingyuan Liu	900,000	-	(200,000)	(700,000) (5)	-	-
Andrew Meloncelli (3)	2,000,000	-	-	(2,000,000) (6)	-	-
Total options	**8,100,000**	**-**	**(200,000)**	**(5,900,000)**	**2,000,000**	**-**

1. Resigned 30 June 2014.
2. Resigned 2 February 2014.
3. Resigned 28 November 2014.
4. Class K1 options with conditions as detailed in note 22(b)*(iv)*
5. Options held when ceased being classified as KMP.
6. Options held at time of resignation.

INSURANCE OF OFFICERS

During the year, Galaxy Resources Limited incurred premiums of $47,500 to insure the directors, secretary and/or officers of the Company.

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

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

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate, against a liability incurred as such by an officer or auditor.

PROCEEDINGS ON BEHALF OF THE COMPANY

There are no proceedings on behalf of the Company under section 237 of the Corporations Act 2001 in the year ended 31 December 2014 or at the date of this report.

NON-AUDIT SERVICES

Shareholders approved the appointment of PricewaterhouseCoopers as statutory auditor on 20 June 2014 replacing KPMG.

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

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

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

Details of amounts paid to PwC and KPMG can be found at note 26.

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 13 and forms part of the directors' report for the year ended 31 December 2014.

Signed in accordance with a resolution of the Directors
Dated at Perth this 31st day of March 2015.
On behalf of the Directors

A P Tse
Managing Director

The Board and Corporate Governance

The Company's Board is committed to protecting and enhancing shareholder value and conducting the Company's business ethically and in accordance with high standards of corporate governance.

The Company's Corporate Governance policies were originally adopted on 30 July 2010 and have been periodically reviewed and updated since that time.

A description of the Company's main corporate governance practices is set out below. Copies of the relevant corporate governance policies are available in the corporate governance section of the Company's website at www.galaxylithium.com.

The Role of the Board and the Board Charter

The Board operates in accordance with the broad principles set out in the Company's Board Charter, a copy of which is available from the Company's website. The Board is responsible for guiding and monitoring the performance of the Company on behalf of shareholders by whom they are elected and to whom they are accountable. Day to day management of the Company's affairs and the implementation of corporate strategies and policy initiatives are delegated by the Board to the Managing Director and senior executives, as set out in the Board Charter.

The Board Charter sets out the following overall powers and responsibilities of the Board:

- charting the direction, strategies and financial objectives of the Company and ensuring appropriate resources are available;
- monitoring the implementation of those policies and strategies and the achievement of those financial objectives and performance against the strategic plan and budgets; and
- monitoring compliance with control and accountability systems, significant disclosures to the market regulatory requirements and ethical standards.

Specific powers and responsibilities reserved to the Board in the Board Charter include:

- appointing, removing and monitoring the performance of the Managing Director and Company Secretary, determining their terms and conditions of employment and ratifying other key executive appointments and planning for executive succession;
- reviewing and ratifying systems of risk management and internal control and compliance, codes of conduct and legal compliance;
- reviewing and ratifying financial and other reporting;
- reviewing and ratifying major capital expenditure, capital management and acquisitions and divestitures; and
- approving the issue of any shares, options or other securities in the Company.

Managing Director

The Managing Director is responsible for running the affairs of the Company under delegated authority from the Board and implementing the policies and strategy set by the Board. In carrying out his responsibilities, the Managing Director must:

- report directly to the Board;
- provide prompt and full information to the Board regarding the conduct of the business of the Company;
- comply with the reasonable directions of the Board; and
- have regard to the requirements of the ASX Listing Rules and expectations of stakeholders and the wider investment community.

Directors Code of Conduct

The Board has adopted a Directors Code of Conduct which establishes a protocol under which each Director is required to disclose certain interests and advise the Board in circumstances where a potential conflict of interest may arise. The Directors Code of Conduct also sets out the procedures to be followed where the Chairman determines that a Director's interest in a matter may be sufficiently material or may result in a conflict of interest occurring.

Board Composition

As at the date of this report the Company has four Directors: two Non-Executive Directors including the Chairman, and two Executive Directors.

Board composition size and structure will be reviewed annually to ensure that the Non-Executive Directors between them bring the range of skills, knowledge and experience necessary to direct the Company. The skills, knowledge and experience which the Board considers to be particularly relevant include qualifications and experience in the areas of mining, engineering and project management, accounting and finance, commodities, mergers and acquisitions and law.

All Directors, other than the Managing Director, are required to retire and may stand for re-election by shareholders, at the third Annual General Meeting (AGM) following their election or most recent re-election.

Details of the skills, experience and expertise relevant to the position of Director held by each Director in office as at the date of the Annual Report, and the periods of office held by each director, are set out on pages 3 and 4.

Chairman

The Chairman is appointed by the directors and is responsible for chairing Board meetings and Company meetings, providing leadership to the Board and the Company, ensuring there are procedures and processes in place to evaluate the Board and its committees and individual directors and that such evaluations are conducted and facilitating effective discussion at Board Meetings.

Mr Rowley is the current Chairman of the Company and is considered independent.

Director Independence

The ASX Governance Principles state that an independent director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgment. The Board determines the independence of Directors.

The Board considers that the Chairman, Mr Rowley is independent.

Due to the fact the Board is only a board of four, of which three Directors are not independent, the Board does not have a majority of independent directors and therefore the Company does not comply with ASX Governance Principle 2.1. The Board will continue to assess its size and composition with a view to ensuring compliance with Corporate Governance Principles and Recommendations.

If any Director has a material personal interest in a matter, the Director will not be permitted to vote on the matter.

Directors' Access to Independent Advice

The Company recognises that, from time to time, a Director may need to obtain his or her own expert advice in order to discharge that Director's duties. The Directors must ensure, to the extent possible, that any advice obtained is independent of the Company. Any reasonable expenses incurred in obtaining that advice will be met by the Company.

Board Meetings

Directors' attendance at Board and Committee meetings is detailed on page 4.

Board Committees

The Company's Board has established an Audit Committee (now Audit and Risk Management Committee effective 28 November 2013), Remuneration and Nomination and a Risk Management Committee (ceased 28 November 2013).

Audit and Risk Management Committee (ARC)

The names of ARC Members during the financial period are as below. Members were in office for the entire period unless otherwise stated.

Martin Rowley (Chairman)
Kai Kwan (resigned 30 June 2014)

Messrs Whitfield and Zhang were appointed to the ARC on 17 March 2015.

The Company Secretary acts as the Secretary to the Committee. It has a formal charter and meets generally two times during a financial year. A copy of the Charter is located on the Company's website. Committee members' attendance at ARC meetings is detailed on page 4.

The ARC's overall role is to assist the Board in fulfilling its responsibilities for the Company's financial reporting and audit, internal control and financial risks. He is also responsible for the identification of significant areas of business risk, implementing procedures to manage such risks and developing policies regarding the establishment and maintenance of appropriate ethical standards.

The ARC's specific responsibilities include (but are not limited to):

- Evaluating the effectiveness of the Company's internal control measures, and gaining an understanding of whether internal control measures are adequate;
- Recommendations made by external auditors have been implemented;
- Understanding the current areas of greatest financial risk for the Company and management's response to minimising those risks;
- Reviewing significant accounting and reporting issues;
- Reviewing annual financial reports, and meeting with management and external auditors to discuss the reports and the results of the audit;
- Ensure compliance in legal statutory and ethical matters;
- Monitor the business environment;
- Identify business risk areas; and
- Identify business opportunities.

The Board considers the following in relation to risk management:

- The Company's ongoing risk management program effectively identifies all areas of potential risk;
- Adequate policies and procedures have been designed and implemented to manage identified risks;
- Proper remedial action is undertaken to redress areas of weakness identified in the risk management process.

The Company has in place specific policies and programs addressing certain strategic, financial, operational and compliance risks. In addition, the Company has in place a crisis and emergency management system designed to address emergencies at any of the Company's operating sites.

The Managing Director, Chief Financial Officer and the external auditors usually attend ARC meetings.

Remuneration and Nomination Committee (RNC)

The names of RNC Members during the financial period are as below. Members were in office for the entire period unless otherwise stated.

Martin Rowley (Chairman)
K C Kwan (resigned 30 June 2014)

Messrs Whitfield and Zhang were appointed to the RNC on 17 March 2015.

The Company Secretary acts as the Secretary to the Committee. It has a formal charter and meets generally at least once during a financial year. A copy of the Charter is located on the Company's website. Committee members' attendance at RNC meetings is detailed on page 4.

The RNC's specific responsibilities include (but are not limited to):

- Reviewing and recommending to the Board the size, composition and membership of the Board;
- Developing and facilitating the process for Board and Director evaluation;
- Making recommendations to the Board on remuneration of Directors and Senior Executives; and
- Reviewing the Managing Director's performance, at least annually.

Details of the structure of Non-Executive Directors' remuneration and Executive Directors' and Senior Executives' Remuneration is set out in the Directors Report.

Given the Company's restructuring activity during the year the RNC did not meet during this period.

Corporate Reporting

The Managing Director and Chief Financial Officer have made the following certifications to the Board with respect to the 31 December 2014 financial statements:

- That the Group's financial report is complete and presents a true and fair view, in all material respects, of the financial condition and operational results of the Group and is in accordance with relevant accounting standards; and
- That the above statement is founded on a sound system of risk management and internal compliance and control and which implements the policies adopted by the Board and the Company's risk management and internal control is operating efficiently and effectively in all material respects.

Securities Trading Policy

The Company has a policy imposing restraints on Directors and Senior Executives dealing in the Company's securities. The policy is aimed at minimising the risk of Directors and Senior Executives contravening insider trading laws, ensuring the Company is able to meet its reporting obligations under the ASX Listing Rules and increasing transparency with respect to trading in the Company's securities by Directors and Senior Executives. A copy of this policy adopted is located on the Company's website.

Financial Reporting

Consistent with ASX Governance Principle 4.1, the Company's financial report preparation and approval process for the year ended 31 December 2014 involved both the Managing Director and the Chief Financial Officer providing detailed representations to the Board covering:

- compliance with the Company's accounting policies and relevant accounting standards;
- the accuracy of the financial statements and that they provide a true and fair view;
- integrity and objectivity of the financial statements; and
- effectiveness of the system of internal control.

Indemnities

The Company has entered into good faith, protection and access deeds with all Directors, Alternate Directors, Company Secretary and Chief Financial Officer. These deeds provide access to documentation, indemnification against liability from conduct of the Company's business and subsidiaries, and Directors' and officers' liability insurance.

Directors and Senior Executives Performance Evaluation and Remuneration

The Board annually self-assess its collective performance and that of senior executives and the performance of individual Directors and of Board committees. This occurred during the year in accordance with the process. The assessment is undertaken using discussions and, where applicable, advice from external consultants.

The Company's policy and procedure for selection and appointment of new directors and its Remuneration Policy are available on the Company's website.

Continuous Disclosure and Shareholder Communications

The Company has an ASX Corporate Compliance Policy, Continuous Disclosure Policy and a Shareholder Communications Policy relating to Continuous Disclosure and Shareholder Communications matters. The policies cover the following matters:

- guidelines for Identifying price sensitive information requiring disclosure;
- prior vetting of ASX announcements and Media Releases;
- media enquiries/analyst briefings; and
- shareholder communications in order to promote effective communication with shareholders and encouraging participation at the Company's Annual General Meeting.

The Company Secretary has primary responsibility for ensuring that the ASX disclosure requirements are met.

Copies of each of these policies are located on the Company's website.

Shareholders may elect to receive company reports by mail or by email.

Auditors

The external auditor attends the annual general meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Ethical Standards and Conduct

The Company has a Corporate Code of Conduct providing a framework of principles for conducting business and dealing with stakeholders. Employees are required to perform and act with integrity, fairness and in accordance with the law and to avoid real or apparent conflicts of interest. In addition, the Company has also established a Board Code of Conduct for Directors, which establishes guidelines for their conduct in carrying out their duties. Copies of both Codes of Conduct are located on the Company's website.

Diversity

The Company has established a Diversity Policy. The Company recognises the need to set diversity measures in each of its operating locations taking into account the differing diversity issues within the geographic location in which it operates.

While the policy provides for the Board to establish measurable objectives for achieving gender diversity, it has not yet done so.

A copy of the Diversity policy is available on the Company's website.

The Company provides the following statistics on gender diversity as at 31 December 2014:

1. proportion of women employees in whole organization: 20.7%
2. proportion of women in management positions: 11.8%
3. proportion of women in senior management positions: 0%
4. proportion of women on the Board: 0%.

Corporate Governance Principles and Recommendations

The Company has complied with each of the eight Corporate Governance Principles and Recommendations as published by ASX Corporate Governance Council, other than where indicated in the table below.

Principle No.	Best Practice Principle	Commentary	Galaxy's mechanism for dealing with non-compliance
2	Structure the board to add value.	2.1. Mr Rowley (One of four Directors) is considered independent. Therefore, a majority of the board is not considered independent.	The Board considers the size and structure of the Board addressing the following matters: - Number of Directors; and - Balance of Independent and Non Independent Directors. Given the current state of the Company and its operations the Board considers the size and composition of the board as appropriate. As the nature and size of the Company's operations change the Board will be restructured to ensure it is appropriate for the Business Activities of the Consolidated Entity.
3	The Diversity Policy should include requirements for the board to establish measureable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	3.2 Although the Diversity Policy provided for the Board to set measurable objectives it has not yet done so.	The Board considers that due to the current restructuring being undertaken by the Company setting of measurable diversity objectives is not appropriate. The Board will consider setting measurable objectives as the Company increases in size and complexity.
4	Safeguard integrity in financial reporting.	4.2 Galaxy's Audit and Risk Management Committee comprised 2 independent directors until Mr Kwan's resignation on 30 June 2014 after which Mr Rowley was the only member of the committee. On 17 March 2015 Mr Zhang and Mr Whitfield were appointed to the Committee. Mr Rowley remains the only independent director on the committee.	Given the current state of the Company and its operations the Board considers the size and composition of the Audit and Risk Committee is appropriate. The Board will consider the future composition of the committee as the Board is restructured.
8	Remunerate fairly and responsibly.	8.2 Galaxy's Remuneration and Nomination Committee comprised 2 independent directors until Mr Kwan's resignation on 30 June 2014 after which Mr Rowley was the only member of the committee. On 17 March 2015 Mr Zhang and Mr Whitfield were appointed to the Committee. Mr Rowley remains the only independent director on the committee. 8.3. Non-Executive Directors have received equity grants as remuneration.	Given the current state of the Company and its operations the Board considers the size and composition of the Remuneration and Nomination Committee is appropriate. The Board will consider the future composition of the committee as the Board is restructured. The Board considers that the issue of equity grants to Non-Executive Directors appropriate as it aligns the interests of the Non-Executive Directors with Shareholders and conserved the Company's cash balances.

Auditor's Independence Declaration

As lead auditor for the audit of Galaxy Resources Limited for the year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Nick Henry
Partner
PricewaterhouseCoopers

Perth
1 April 2015

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 $	Restated 2013 $
Revenue			
Revenue from continuing operations	5	**34,969**	244,032
Other income	5	**185,401**	1,346,740
Expenses			
Operating costs		**(309,954)**	(3,155,963)
Other expenses from ordinary activities			
Administration costs		**(4,851,882)**	(5,470,014)
Employment costs	6	**(4,394,200)**	(6,795,667)
Depreciation		**(152,462)**	(6,945,172)
Finance costs	6	**(9,591,367)**	(12,477,831)
Foreign exchange (losses) / gains		**(2,994,253)**	1,916,928
Impairment of property, plant and equipment	14	**(26,724)**	(35,598,549)
Impairment of exploration and evaluation	15	**(6,531,501)**	(10,830,491)
Provision for rehabilitation	18	**(581,251)**	(1,557,400)
Provision for inventory	13	**-**	(1,094,171)
Provision for onerous contracts	18	**-**	(1,420,510)
Loss before taxation		**(29,213,224)**	(81,838,068)
Income tax	7	**-**	-
Loss from continuing operations		**(29,213,224)**	(81,838,068)
Loss from discontinued operation	10	**(25,490,123)**	(26,063,631)
Loss for the period		**(54,703,347)**	(107,901,699)
Loss attributable to:			
Owners of Galaxy Resources Limited		**(54,669,746)**	(107,901,699)
Non-controlling interests		**(33,601)**	-
		(54,703,347)	(107,901,699)
Other comprehensive (loss)/income for the period			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences – foreign operations		**(1,692,470)**	3,249,438
Other comprehensive (loss)/income for the period		**(1,692,470)**	3,249,438
Total comprehensive loss for the period		**(56,395,817)**	(104,652,261)
Total comprehensive loss for the period attributable to:			
Owners of Galaxy Resources Limited		**(56,262,673)**	(104,652,261)
Non-controlling interests		**(133,144)**	-
		(56,395,817)	(104,652,261)
Total comprehensive loss for the period attributable to owners of Galaxy Resources Limited arises from:			
Continuing operations		(29,220,772)	(80,431,640)
Discontinued operations		(27,175,045)	(24,220,621)
		(56,395,817)	(104,652,261)
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the company			
Basic and diluted loss per share (cents per share)	8	**(2.80)**	(11.34)
Earnings per share for loss attributable to the ordinary equity holders of the company			
Basic and diluted loss per share (cents per share)	8	**(5.24)**	(14.96)

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

	Note	2014 $	Restated 2013 $
CURRENT ASSETS			
Cash and cash equivalents	*11*	**13,389,040**	2,565,190
Other receivables and prepayments	*12*	**669,489**	536,910
Inventories	*13*	**1,095,870**	1,161,731
		15,154,399	4,263,831
Assets classified as held for sale	*10*	**187,231,119**	173,248,126
TOTAL CURRENT ASSETS		**202,385,518**	177,511,957
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**1,908,649**	2,136,196
Exploration and evaluation assets	*15*	**130,995,125**	137,114,767
Available-for-sale financial assets	*16*	**39,971**	101,734
Other receivables and prepayments	*12*	**-**	63,080
TOTAL NON-CURRENT ASSETS		**132,943,745**	139,415,777
TOTAL ASSETS		**335,329,263**	316,927,734
CURRENT LIABILITIES			
Trade and other payables	*17*	**5,161,963**	4,547,359
Deposit for Jiangsu transaction	*19*	**14,958,313**	-
Provisions	*18*	**651,456**	944,428
Interest bearing liabilities	*19*	**101,232,792**	64,702,000
		122,004,524	70,193,787
Liabilities directly associated with assets classified as held for sale	*10*	**155,804,260**	135,242,642
TOTAL CURRENT LIABILITIES		**277,808,784**	205,436,429
NON-CURRENT LIABILITIES			
Provisions	*18*	**7,455,255**	7,376,332
TOTAL NON-CURRENT LIABILITIES		**7,455,255**	7,376,332
TOTAL LIABILITIES		**285,264,039**	212,812,761
NET ASSETS		**50,065,224**	104,114,973
EQUITY			
Contributed equity		**450,692,932**	448,460,634
Reserves		**11,986,098**	14,465,358
Accumulated Losses		**(417,504,308)**	(363,834,665)
Capital and reserves attributable to owners of Galaxy Resources Limited		**45,174,722**	99,091,327
Non-controlling interests		**4,890,502**	5,023,646
TOTAL EQUITY		**50,065,224**	104,114,973

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

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2014

	Note	Contributed Equity $ 21(a)	Reserves $ 21(b)	Restated Accumulated losses $	Restated Total $	Non-controlling interest $	Restated Total equity $
Balance at 1 January 2013		407,170,372	32,207,502	(305,906,197)	133,471,677	32,756,402	166,228,079
Loss for the year		-	-	(107,901,699)	(107,901,699)	-	(107,901,699)
Other comprehensive (loss) for the year		-	3,249,439	-	3,249,439	-	3,249,439
Total comprehensive loss		-	3,249,439	(107,901,699)	(104,652,260)	-	(104,652,260)
Issue of shares, net of transaction costs		41,290,262	-	-	41,290,262	-	41,290,262
Transfer of reserve upon forfeit of options		-	(22,240,475)	22,240,475	-	-	-
Share-based payment transactions		-	1,248,892	-	1,248,892	-	1,248,892
Change in Non-Controlling Interest		-	-	27,732,756	27,732,756	(27,732,756)	-
Balance at 31 December 2013		448,460,634	14,465,358	(363,834,665)	99,091,327	5,023,646	104,114,973
Loss for the year		**-**	**-**	**(54,669,746)**	**(54,669,746)**	**(33,601)**	**(54,703,347)**
Other comprehensive income for the year		**-**	**(1,592,927)**	**-**	**(1,592,927)**	**(99,543)**	**(1,692,470)**
Total comprehensive income		**-**	**(1,592,927)**	**(54,669,746)**	**(56,262,673)**	**(133,144)**	**(56,395,817)**
Issue of shares, net of transaction costs		**24,798**	**-**	**-**	**24,798**	**-**	**24,798**
Transfer of reserve upon forfeit of options		**-**	**(1,000,103)**	**1,000,103**	**-**	**-**	**-**
Share-based payment transactions		**2,207,500**	**113,770**	**-**	**2,321,270**	**-**	**2,321,270**
Change in Non-Controlling Interest		**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2014		**450,692,932**	**11,986,098**	**(417,504,308)**	**45,274,722**	**4,890,502**	**50,065,224**

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

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 $	Restated 2013 $
Operating activities			
Receipts from customers		**25,634,458**	23,739,682
Receipts from Australian Taxation Office		**-**	1,346,740
Payments to suppliers, contractors and employees		**(35,460,115)**	(43,646,686)
Net cash outflow operating activities	*32*	**(9,825,657)**	(18,560,264)
Investing activities			
Interest received		**34,969**	138,619
Acquisition of property, plant and equipment		**(2,122,278)**	(6,287,888)
Proceeds from sale of tenements		**-**	250,000
Proceeds from sale of assets		**1,000**	233,691
Deposit received for sale of assets		**13,029,000**	-
Payments for exploration and evaluation assets		**(4,792,657)**	(8,617,380)
Refund of security deposit/performance bonds		**-**	2,091,904
Net cash inflow (outflow) from investing activities		**6,150,034**	(12,191,054)
Financing activities			
Net proceeds from issue of shares		**24,798**	42,345,262
Purchase of call option		**-**	(2,500,000)
Bank charges and interest paid		**(15,595,214)**	(10,994,152)
Proceeds from borrowings		**75,624,949**	55,347,835
Repayments of borrowings		**(49,839,105)**	(58,625,697)
Net cash inflow from financing activities		**10,215,428**	25,573,248
Net increase (decrease) in cash and cash equivalents		**6,539,805**	(5,178,070)
Cash and cash equivalents at the beginning of the year		**2,840,292**	7,718,527
Effect of foreign exchange rate changes		**4,200,417**	299,835
Cash and cash equivalents at the end of the year		**13,580,514**	2,840,292
Represented by:			
Cash held for sale in disposal group	*10*	191,474	275,102
Cash and cash equivalents from continuing operations	*11*	13,389,040	2,565,190

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

1. REPORTING ENTITY

Galaxy Resources Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Level 1, 16 Ord Street, West Perth, Australia. The consolidated financial statements of the Company for the year ended 31 December 2014 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.

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 31 March 2015.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items in the statement of financial position:

- Derivative financial instruments are measured at fair value.
- Available-for-sale financial assets are measured at fair value.
- Convertible bonds issued are designated at fair value through profit or loss.

c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

d) Use of estimates and judgements

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

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

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

e) Going concern

The group financial report has been prepared on the going concern basis which assumes the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

For the year ended 31 December 2014, the Group incurred a loss after tax of $54.7 million. The Group has net current liabilities at 31 December 2014 of $75.4 million which includes interest bearing liabilities of $225.8 million made up of secured bank loans of $124.5 million which are held for disposal with Jiangsu, unsecured convertible bonds of $60.0 million, the secured Tianqi loan of $36.8 million and secured loans of $4.5 million.

The Company's wholly owned subsidiary Galaxy Lithium (Jiangsu) Co. Limited ("GLJL"), which is a subsidiary of Galaxy Lithium International Limited ("GLIL"), has been in technical breach of certain lending covenants under bank facilities. The technical breach constitutes a potential event of default which would allow the banks to demand immediate repayment of amounts owing if an event of default was to be called by the banks. Default clauses in other debt facility agreements of GLJL and the Group would then allow those banks and lenders to identify a default event and demand immediate repayment of their amounts owing. The Group has not been issued with any notice of default under any of its debt facilities.

On 2 February 2015, the Company entered into a revised Share Purchase Agreement ("SPA") for the sale of its shares in its wholly owned subsidiary GLIL and its subsidiaries, including the Jiangsu Lithium carbonate plant ("Jiangsu Plant") and associated bank debt to Sichuan Tianqi Lithium Industries Inc ("Tianqi") for cash consideration of US$71.7 million. Galaxy shareholders approved the revised SPA on 17 March 2015 and Tianqi shareholders approved it on 10 March 2015 with the sale remaining subject to final PRC regulatory approval. On 31 March 2015, the Company announced that all conditions precedent for the completion of the sale of GLIL to Tianqi had been satisfied with final settlement due within days of finalising this financial report.

Following final settlement of the sale of GLIL, the Company expects to receive cash proceeds of US$71.7 million plus reimbursement of intercompany loans of US$8.4 million and other sundry adjustments. Some proceeds have already been received through a deposit of US$12.2 million and the Tianqi loan of US$30 million which will both be offset against the cash proceeds at settlement. The overall net cash inflow at settlement is expected to be approximately US$35.9 million.

The Convertible bonds of $60 million have a maturity date of 19 November 2015 and the secured loan is currently repayable on demand, however, the Directors are confident that the secured loan will be extended to 31 March 2016 which remains subject to final documentation. Following completion of the sale of GLIL, the interest bearing liabilities of the group are reduced to $64.7 million which will exceed the available cash of the Group and insufficient cash inflows from operations are likely to be generated to satisfy the shortfall prior to scheduled maturity.

2. BASIS OF PREPARATION

e) Going concern

The Directors are aware that the ability to continue as a going concern is dependent upon one or more of the following uncertain events:

- The successful settlement of the GLIL disposal including the support of its bank lenders to not immediately recall drawn amounts and continue to offer access to existing facilities until settlement of the GLIL disposal;
- The continued support of its remaining financiers until scheduled maturity dates; and
- Prior to maturity of its remaining debt obligations, being successful in renegotiating the terms of its debt arrangements and/or raising additional funds via new debt or equity issues or from asset sales to satisfy these obligations.

As a result of the above uncertain events, there exists a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors are of the opinion that, as at the date of these consolidated financial statements, the Group is a going concern and, as a result, the financial report for the year ended 31 December 2014 does not include any adjustments relating to the recoverability and classification of the recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Principles of consolidation

These financial statements incorporate the accounts of Galaxy Resources Limited and its subsidiaries. All intercompany balances, transactions, income and expenses and profits or losses have been eliminated on consolidation.

Subsidiaries are consolidated where the Company possesses power over the subsidiary, has exposure of rights variable to returns from its involvement with the subsidiary and has the ability to use its power over the subsidiary to affect its returns. For non-wholly owned subsidiaries, the net assets attributable to outside equity shareholders are presented as "non-controlling interest" in the equity section of the consolidated statement of financial position. Profit for the year that is attributable to non-controlling interests is calculated based on the ownership of the minority shareholders in the subsidiary. Entities are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases.

A list of controlled entities is detailed in note 4 to the financial statements.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting whereby the purchase consideration is allocated to the identifiable assets and liabilities and contingent liabilities assumed at the date of acquisition. Provisional fair values allocated at a reporting date are finalized within twelve months of the acquisition date with retroactive restatement to the acquisition date as required. Incremental costs related to the acquisition costs are expensed as incurred.

If the transaction does not meet the definition of a business combination the transaction is recorded as an acquisition of an asset.

(b) Financial instruments

(i) Non-derivative financial assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

b) Financial Instruments

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

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

Available–for-sale financial assets

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

(ii) Non-derivative financial liabilities

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

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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

The Group classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss and other financial liabilities category. Financial liabilities at fair value through profit or loss are initially measured at fair value and changes therein are recognised in profit or loss. Attributable transaction costs are recognised in profit or loss when incurred. Also refer to Note 3(h).

Other financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Derivatives are initially recognised at fair value and any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value with changes recognised in profit or loss.

(c) Exploration and evaluation assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

c) Exploration and evaluation assets

Intangible exploration and evaluation assets include:

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

Tangible exploration and evaluation assets include:

- Piping and pumps;
- Tanks;
- Exploration vehicles and drilling equipment;
- Drilling rights;
- Acquired rights to explore;
- Exploratory drilling costs; and
- Trenching and sampling costs.

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

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

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

Impairment testing of exploration and evaluation assets

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

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

Where a potential impairment is indicated, an assessment is performed for each cash generating unit ("CGU") which is no larger than the area of interest. The Group performs impairment testing in accordance with AASB 136.

d) Property, plant and equipment

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

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

Subsequent costs

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

Assets under construction

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

Development expenditure

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

d) Property, plant and equipment

Development expenditure includes the following:

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

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

Depreciation

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

• Freehold land	Not depreciated
• Plant and equipment	3 – 20 years
• Development expenditure	Units of production basis over the total estimated proven and probable reserves related to the area of interest

De-recognition

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

e) Impairment of assets

Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group considers a decline of 20 percent to be significant and a period of 9 months to be prolonged.

Financial assets measured at amortised cost

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

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

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

Available-for-sale financial assets

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

Non-financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

e) Impairment of assets

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

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

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.

f) Inventories

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

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

g) Revenue recognition

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

h) Convertible bonds

The convertible bonds are designated as a financial liability at fair value through profit or loss.

On issuance the convertible bonds were recognised at their fair value and all directly related transactions costs were expensed in the profit or loss. Subsequent to initial recognition the convertible bonds are measured at fair value using a generally accepted valuation technique with any change in fair value recognised in profit or loss for the period.

On conversion, the carrying amount of the convertible bonds will be reclassified to share capital. If the convertible bonds are redeemed, any difference between the amount paid and the fair value at time of redemption is recognised in profit or loss.

i) Provisions

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

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

Provision for rehabilitation

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

The amount recognised as a liability represents the estimated future costs discounted to present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost in the profit or loss.

The site restoration provision is separated into current (estimated costs arising within twelve months from balance date) and non-current components based on expected timing of cash flows.

A corresponding asset is recognised in Property, Plant and Equipment only to the extent that it is probable that future economic benefits associated with rehabilitation, decommissioning and restoration expenditure will flow to the entity. The asset is depreciated using the unit of production basis over the total estimated proven and probable reserves related to the area of interest.

Costs arising from unforeseen circumstances, such as contamination from discharge of a toxic material, are recognised as a provision with a corresponding expense recognised in the profit or loss when an obligation, which is probable and capable of reliable estimation, arises.

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

3. SIGNIFICANT ACCOUNTING POLICIES

j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Group under leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total expense, over the term of the lease.

The cost of acquiring land held under an operating lease is classified as a lease prepayment and amortised on a straight-line basis over the period of the lease term, which is 50 years.

k) Finance income and finance costs

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

Finance costs comprise interest expense on borrowings, bank charges, fair value losses or gains on financial assets/liabilities at fair value through profit or loss.

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

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

l) Foreign currency

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

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

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

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

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

m) Employee benefits

Defined contribution retirement plans
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution retirement plans are recognised as staff costs in profit or loss as incurred.

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

Termination benefits
Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

3. SIGNIFICANT ACCOUNTING POLICIES

m) Employee benefits

Share based payment transactions

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

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

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

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

n) Taxes

Income tax

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

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

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

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

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

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

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

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

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

Tax consolidation

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

3. SIGNIFICANT ACCOUNTING POLICIES

o) Operating segments

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

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

p) Share capital

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

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

q) Loss per share

Basic and diluted loss per share is determined by dividing the loss after income tax attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year. Basic and diluted loss per share is also determined separately for continuing and discontinued operations.

r) Related parties

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

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

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

s) Accounting standards and interpretations issued but not yet adopted

A number of new standards, interpretations and amendments to existing standards are not yet effective for the year ended December 31, 2014, and have not been applied in preparing these financial statements. This listing of standards, interpretations and amendments issued includes those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied in the future. The Company intends to adopt these standards when they become effective.

1. AASB 9, *Financial Instruments*, addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The Company is currently assessing the impact of adopting AASB 9 on its consolidated financial statements.
2. AASB 15, *Revenue from Contracts with Customers,* establishes the principles that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 January 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The adoption of this standard will not have a material impact on the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

t) Discontinued Operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets that are carried at fair value.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

4. INTERESTS IN OTHER ENTITIES

Investments in subsidiaries

The following list contains the particulars of all of the subsidiaries of the Company. The issue of shares held is ordinary.

Name of company	Place of incorporation/ establishment and operation	Type of legal entity	Interest as at 31 December 2014	Interest as at 31 December 2013	Principal activity
Galaxy Lithium Australia Limited	Australia	Limited company	100%	100%	Mining of Mt Cattlin spodumene
Galaxy Lithium Proprietary Limited	Australia	Limited company	100%	100%	Dormant
Galaxy Lithium International Limited	Hong Kong	Limited company	100%	100%	Investment holding company
Galaxy Resources International Limited	Hong Kong	Limited company	100%	NA	Investment holding company
Galaxy Lithium (Jiangsu) Co., Limited	The PRC	Limited company	100%	100%	Operations of Jiangsu lithium carbonate plant
Galaxy Lithium (Canada) Inc.	Canada (Quebec)	Limited company	100%	100%	Exploration of James Bay spodumene deposits
Galaxy Lithium Holdings BV	The Netherlands	Limited company	100%	100%	Investment holding company
Galaxy Lithium (US) Inc.	United States (Delaware)	Limited company	100%	100%	Investment holding company
Galaxy Lithium One (Quebec) Inc. **	Canada (Quebec)	Limited company	100%	100%	Investment holding company
Galaxy Lithium One Inc. ***	Canada (Quebec)	Limited company	100%	100%	Investment holding company
Galaxy Lithium (Ontario) Inc. *	Canada (Ontario)	Limited company	100%	100%	Exploration of James Bay spodumene deposits
Galaxy Lithium (BC) Limited *	Canada (British Columbia)	Limited company	100%	100%	Investment holding company
Galaxy Lithium Holdings LLC *	United States (Delaware)	Limited company	100%	100%	Dormant
Galaxy Lithium (Colorado) Inc. *	United States (Colorado)	Limited company	100%	100%	Investment holding company
Galaxy Lithium (Sal de Vida) S.A.	Argentina (Salta)	Stock Company	96%	96%	Exploration and Development of Sal de Vida Project

5. REVENUE

The group derives the following types of revenue:

	2014 $	Restated 2013 $
Other revenue		
Interest income on cash assets	**34,969**	131,884
Profit from sale of tenement	**-**	112,148
Total revenue from continuing operations	**34,969**	244,032
Other income		
Government R&D rebate	**185,401**	1,346,740

6. EXPENSES

(a) Finance costs		
Interest expense on financial liabilities	**8,554,959**	5,532,706
Impairment loss on available-for-sale financial assets (note 16)	**60,000**	95,000
Bank charges	**110,398**	829,227
Convertible bonds transaction costs	**29,878**	11,483
Convertible bonds change in fair value	**-**	2,250,415
Option asset change in fair value	**-**	2,959,000
Transaction costs on loans	**836,132**	800,000
Finance costs attributable to continued operations	**9,591,367**	12,477,831
Net finance costs attributable to discontinued operations	**8,359,267**	6,960,294
(b) Employment costs		
Contributions to defined contribution retirement plans	**120,506**	374,649
Share-based payments	**2,107,500**	448,892
Salaries, wages and other benefits	**2,166,194**	5,972,126
	4,394,200	6,795,667
(c) Other items		
Operating lease charges for property rental	**440,034**	687,420

7. INCOME TAX

(a) A reconciliation of income tax expense (benefit) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the company's effective income tax rate for the Periods ended 31 December 2014 and 31 December 2013 is as follows:

	2014 $	Restated 2013 $
Accounting profit (loss) before tax from continuing operations	(54,703,347)	(107,901,699)
Loss before tax from discontinued operations	-	-
Accounting profit (loss) before income tax	(54,703,347)	(107,901,699)
At the statutory income tax rate of 30%	16,411,004	32,370,510
Non-deductible expenses	(1,894,986)	(2,615,795)
Tax effect on temporary differences	2,136,831	(4,913,307)
Tax losses not brought to account as a deferred tax asset	(16,708,469)	(25,245,430)
Adjustment in respect of current income tax	-	-
Non-assessable income	55,620	404,022
Income tax benefit	-	-

7. INCOME TAX

(i) The statutory tax rate applicable to the Company and the Australian subsidiary was 30% during the Relevant Period. No provision for Australian taxation was made during the Relevant Period as the Company and the Australian subsidiary sustained losses for taxation purposes.
(ii) Hong Kong's statutory tax rate was 16.5%. No provision for Hong Kong Profits Tax was made for the Hong Kong subsidiary incorporated in July 2009 as it did not have assessable profits subject to Hong Kong Profits Tax for 2014 and 2013.
(iii) The statutory tax rate applicable to the subsidiary established in the PRC in February 2010 was 25%. No provision for the PRC profits tax was made as the PRC subsidiary suffered loss for taxation purposes in 2014 and 2013.

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

Tax Effect accounting by members of the tax consolidated group

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

(b) Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2014	2013	**2014**	2013	**2014**	2013
	$	$	**$**	$	**$**	$
CONSOLIDATED						
Cash and cash equivalent	-	-	-	-	-	-
Trade and other receivables	-	-	-	-	-	-
Inventories	(328,251)	(328,251)	-	-	(328,251)	(328,251)
Property, plant and equipment	(22,737,670)	(25,822,536)	-	-	(22,737,670)	(25,822,536)
Investments in subsidiaries and available for sale financial assets	(274,500)	(274,500)	-	-	(274,500)	(274,500)
Exploration, evaluation and development expenditure	-	-	1,463,872	1,584,441	1,463,872	1,584,441
Loans to Subsidiaries	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	-
Receivable			-	8,864	-	8,864
Provisions	(1,220,923)	(1,016,008)	-	3,831	(1,220,923)	(1,012,177)
Other	(926,912)	(1,794,094)	7,100	-	(919,812)	(1,794,094)
Borrowing costs	(146,100)	(1,018,567)	-	-	(146,100)	(1,018,567)
Unrealised foreign exchange losses (gains)	(1,202,391)	-	-	-	(1,202,391)	-
DTA not taken to account	25,365,775	28,656,820	-	-	25,365,775	28,656,820
Tax (assets) liabilities	(1,470,972)	(1,597,136)	1,470,972	1,597,136	-	-
Set off of tax	1,470,972	1,597,136	(1,470,972)	(1,597,136)	-	-
Net tax (assets) liabilities	-	-	-	-	-	-

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

	2014	2013
	$	$
Transaction costs for issue of shares	-	1,413,996
Other deductible temporary differences	25,365,775	26,072,556
Unused tax losses	189,364,324	162,962,957
	214,730,099	190,449,509

8. LOSS PER SHARE

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

	2014	Restated 2013
Basic and diluted loss per share (cents)	**(5.24)**	(14.96)
Loss attributable to the ordinary shareholders of the Company	**(54,669,746)**	(107,901,699)
Basic and diluted loss per share (cents) continuing operations	**(2.80)**	(11.34)
Loss attributable to the ordinary shareholders of the Company from continuing operations	**(29,213,224)**	(81,838,068)
Weighted average number of shares		
Issued ordinary shares at beginning of the year	**1,027,058,768**	560,357,421
Effect of share options exercised	**24,421**	263,272
Effect of shares issued	**17,118,760**	160,774,874
Weighted average number of ordinary shares outstanding in year	**1,044,201,979**	721,395,567

All potentially dilutive instruments comprising the Convertible Bonds and employee share options were antidilutive in 2014 and 2013. Therefore, diluted loss per share is the same as basic loss per share.

9. SEGMENTS INFORMATION

(a) Description of segments

During the year the Group has managed its businesses by geographic location, which resulted in three operating and reportable segments which consist of the Australian operation, Argentina operation and Canada operation 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 subsequent to the restructuring of the Group in light of the SPA with Tianqi for the former geographic and reportable segment containing the Group's China operation.

- Australia operation includes the development and operation of the Mt Cattlin spodumene mine and exploration for minerals.
- Argentina operation includes the development of the Sal de Vida project and exploration for minerals.
- Canada operation includes the development of the James Bay project and exploration for minerals.

As noted above, due to the SPA with Tianqi, the China segment is now classified as held for sale and information about this discontinued segment is provided in note 10.

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	
	2014 $	2013 $	**2014 $**	2013 $	**2014 $**	2013 $	**2014 $**	2013 $	**2014 $**	2013 $
Other income	**185,401**	1,346,740	**-**	-	**-**	-	**-**	-	**185,401**	1,346,740
Operating costs and provisions for inventory and onerous contracts	**-**	-	**(309,954)**	(5,670,644)	**-**	-	**-**	-	**(309,954)**	(5,670,644)
Other expenses from ordinary activities	**(11,636,091)**	(47,360,531)	**(2,696,526)**	(9,340,547)	**345,055**	1,350,467	**(5,609,743)**	(9,685,723)	**(19,597,305)**	(65,036,334)
Finance costs	**(7,286,619)**	(12,469,668)	**(2,302,973)**	(9,837)	**-**	-	**(1,774)**	1,675	**(9,591,367)**	(12,477,830)
Reportable segment profit (loss) before income tax	**(18,637,309)**	(58,483,459)	**(5,309,454)**	(15,021,028)	**345,055**	1,350,467	**(5,611,518)**	(9,684,049)	**(29,213,224)**	(81,838,068)
Other material non-cash items:										
Reportable segment interest bearing liabilities	**64,450,055**	64,702,000	**36,782,737**	-	**-**	-	**-**	-	**101,232,792**	64,702,000
Other reportable liabilities	**3,551,236**	3,840,769	**19,981,767**	4,176,018	**231,207**	370,080	**4,462,777**	4,481,253	**28,226,988**	12,868,120
Reportable segment assets	**2,083,688**	900,026	**4,917,859**	6,585,401	**125,670,800**	125,956,759	**1,996,787**	7,570,498	**134,669,134**	141,012,685
Additions to non-current segment assets during the period	**1,732**	83,125	**515,430**	462,441	**4,098,279**	7,707,888	**92,684**	(100,929)	**4,708,125**	8,152,525

9. SEGMENT INFORMATION

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

Inter-segment revenue for the year ended 31 December 2014 is $Nil (2013: $Nil).

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

Assets	2014 $	2013 $
Total assets for reportable segments	**134,669,134**	141,012,685
Unallocated:		
Cash and cash equivalents	**13,389,040**	2,565,190
Available-for-sale financial assets	**39,971**	101,734
Assets classified as held for sale	**187,231,119**	173,248,126
Consolidated total assets	**335,329,263**	316,927,734
Liabilities		
Total liabilities for reportable segments	**129,459,780**	77,570,120
Unallocated:		
Liabilities classified as held for sale	**155,804,260**	135,242,642
Consolidated total liabilities	**285,264,040**	212,812,762

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

Profit or loss		
Loss from continuing operations	(29,213,224)	(81,838,068)
Loss from discontinued operations	(25,490,123)	(26,063,631)
	(54,703,347)	(107,901,699)
Elimination of inter segment transactions	-	-
Consolidated loss before tax	(54,703,347)	(107,901,699)

10. DISCONTINUED OPERATIONS

(a) Description

On 30 April 2014 the Company announced a binding Share Purchase Agreement ("SPA") with Sichuan Tianqi Lithium Industries ("SLTI") for the sale of Galaxy Lithium International Limited, the entity which holds the Jiangsu Lithium Carbonate plant. The SPA included an enterprise value of US$230 million (A$249 million), with STLI 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 STLI 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 is US$173.2 million comprising cash consideration of US$71.7 million and assumption of the Chinese bank debt. On 10 March 2015 SLTI shareholders approved the revised SPA and then on 17 March 2015 Galaxy shareholders also approved the revised transaction.

At the date of this report all conditions precedent for the sale have been satisfied and the closing of the sale is proceeding.

(b) Financial performance and cash flow information

	2014 $	2013 $
Revenue	**8,804,119**	32,186,289
Expenses	**(34,294,242)**	(58,249,920)
Loss before income tax	**(25,490,123)**	(26,063,631)
Income tax expense	**-**	-
Loss from discontinued operation	**(25,490,123)**	(26,063,631)
Net cash (outflow) / inflow from operating activities	**(1,555,712)**	(9,530,639)
Net cash outflow from investing activities	**(2,131,000)**	(4,873,978)
Net cash outflow from financing activities	**(14,716,393)**	(17,733,244)
Net decrease in cash from discontinued operations	**(18,403,105)**	(32,137,861)

10. DISCONTINUED OPERATIONS

(c) Assets and liabilities of disposal group classified as held for sale

	2014 $	2013 $
Assets classified as held for sale:		
Cash and cash equivalents	**191,474**	275,102
Property, plant and equipment	**154,073,912**	142,121,399
Lease prepayments	**1,298,528**	1,332,799
Trade and other receivables	**20,925,066**	24,473,284
Inventories	**10,742,139**	5,045,542
Total assets of disposal group held for sale	**187,231,119**	173,248,126
Liabilities directly associated with assets classified as held for sale:		
Trade creditors and accruals	**31,283,827**	14,412,088
Interest bearing liabilities	**124,520,433**	120,830,554
Total liabilities of disposal group held for sale	**155,804,260**	135,242,642

(d) Lease prepayment

Cost		
Balance at beginning of the year	**1,501,094**	1,501,094
Subsidy received	**-**	-
Balance at end of the year	**1,501,094**	1,501,094
Accumulated amortisation		
Balance at beginning of the year	**168,295**	134,069
Amortisation	**34,271**	34,226
Balance at end of the year	**202,566**	168,295
Carrying amounts	**1,298,528**	1,332,799

Lease prepayment represented a lump sum prepayment made in April 2010 for a land use right in the PRC with the lease term of 50 years. Lease prepayment is amortised on a straight-line basis over the period of the lease term.

(e) Inventories

Stores	**2,896,685**	2,512,423
Raw Materials	**7,845,454**	1,928,048
Finished Product – lithium carbonate	**-**	605,072
Carrying amount of inventories in discontinued operations	**10,742,139**	5,045,543

(f) Interest bearing liabilities

Secured facilities with Chinese banks with terms as follows. The borrower for these loans is Galaxy Lithium (Jiangsu) Co. Ltd, the Company's subsidiary in China.

Bank	**Loan Purpose**	**Facility RMB '000**	**Drawn RMB '000**	**Term (Years)**
China Construction Bank (CCB)	Fixed assets	241,000	241,000	1-4
China Construction Bank	Working capital	60,000	60,000	1
Shanghai Pudong Development Bank (SPD)	Working capital	48,000	48,000	1-3
Industrial and Commercial Bank of China (ICBC)	Fixed assets	164,600	164,600	1-5
Industrial and Commercial Bank of China	Working capital	109,800	109,800	1-2

Interest rates on these facilities range from 6-7% per annum. Facilities require that Galaxy Lithium (Jiangsu) Co., Limited (GLJL) meet liquidity and asset to liability ratio covenants.

10. DISCONTINUED OPERATIONS

(f) Interest bearing liabilities

At 31 December 2013, the Company's wholly owned subsidiary Galaxy Lithium (Jiangsu) Co. Limited (GLJL) was in breach of certain lending covenants under a bank facility. The breach constituted a potential event of default which would allow the bank to demand immediate repayment of amounts owing. Default clauses in other of GLJL's facility agreements would then allow those banks to identify a default event and demand immediate repayment of their facilities. For this reason all of the Group's secured bank loans have been classified as a current liability at 31 December 2014 in accordance with the requirements under accounting standards. GLJL has not received any notice of default under any of its debt facilities.

11. CASH AND CASH EQUIVALENTS

	2014 $	2013 $
Current		
Cash at bank and on hand	**13,389,040**	2,565,190

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 28.

12. TRADE AND OTHER RECEIVABLES

	2014			2013		
	Current $	**Non-current $**	**Total $**	Current $	Non-current $	Total $
Current						
Trade receivables	**11,110**	**-**	**11,110**	6,534	-	6,534
Other receivables (note 17(a))	**136,211**	**-**	**136,211**	262,612	-	262,612
Prepayments	**256,498**	**-**	**256,498**	267,764	-	267,764
Security bonds	**80,269**	**-**	**80,269**	-	63,080	63,080
R&D refund receivable	**185,401**	**-**	**185,401**	-	-	-
	669,489	**-**	**669,489**	536,910	63,080	599,990

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

13. INVENTORIES

	2014 $	Restated 2013 $
Current		
Consumables – at cost	**2,190,041**	2,255,902
Provision for obsolescence	**(1,094,171)**	(1,094,171)
Carrying amount of inventories in continuing operations	**1,095,870**	1,161,731

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Plant & Equipment	Assets under construction	Development expenditure	**Total**
Cost or Fair Value	$	$	$	$	$
Balance at 1 January 2013	1,411,742	256,441,152	374,236	17,707,736	275,934,866
Additions -	-	303,077	5,215,190	-	5,518,267
Disposals -	-	(840,588)	-	-	(840,588)
Foreign exchange movement	-	26,335,632	-	-	26,335,632
Transfers	-	264,480	(264,480)	-	-
Assets held in a disposal group classified as held for sale		(154,424,399)	(5,324,946)	-	(159,749,345)
Balance at 31 December 2013	1,411,742	128,079,354	-	17,707,736	147,198,832
Additions **-**	**-**	**139,383**	**4,436,597**	**-**	**4,575,980**
Disposals **-**	**-**	**(27,295)**	**-**	**-**	**(27,295)**
Foreign exchange movement	**-**	**12,760,212**	**985,447**	**-**	**13,745,659**
Assets held in a disposal group classified as held for sale		**(12,971,498)**	**(5,422,044)**	-	**(18,393,542)**
Balance at 31 December 2014	**1,411,742**	**127,980,156**	**-**	**17,707,736**	**147,099,634**
Accumulated Depreciation					
Balance at 1 January 2013	-	92,243,153	-	13,955,900	106,199,053
Depreciation	-	20,821,754	-	-	20,821,754
Disposals	-	(548,527)	-	-	(548,527)
Impairment (1)	-	31,846,713	-	3,751,836	35,598,549
Foreign exchange movement	-	619,752	-	-	619,752
Assets held in a disposal group classified as held for sale	-	(17,627,945)	-	-	(17,627,945)
Balance at 31 December 2013	-	127,354,900	-	17,707,736	145,062,636
Depreciation	**-**	**4,687,870**	**-**	**-**	**4,687,870**
Disposals	**-**	**(24,868)**	**-**	**-**	**(24,868)**
Impairment (1)	-	**26,724**	-	-	**26,724**
Foreign exchange movement	**-**	**1,879,653**	**-**	**-**	**1,879,653**
Assets held in a disposal group classified as held for sale	-	**(6,441,030)**	**-**	**-**	**(6,441,030)**
Balance at 31 December 2014	**-**	**127,483,249**	**-**	**17,707,736**	**145,190,985**
Net book value					
At 31 December 2013	1,411,742	724,454	-	-	2,136,196
At 31 December 2014	**1,411,742**	**496,907**	**-**	**-**	**1,908,649**
Net book value held for sale					
At 31 December 2013	-	136,796,454	5,324,946	-	142,121,400
At 31 December 2014	**-**	**143,326,923**	**10,746,990**	**-**	**154,073,912**

14. PROPERTY, PLANT AND EQUIPMENT

Impairment property, plant and equipment

(1) Mt Cattlin and the Jiangsu lithium carbonate plant have previously been considered to form one cash generating unit for the purpose of impairment testing. Following a change in the group's strategy and expected cash inflows from these assets, the allocation of assets to cash generating units was changed at 31 December 2013 and Mt Cattlin and the Jiangsu lithium carbonate plant were tested separately for impairment.

An impairment expense of $26,724 (2013 $35,598,549) has been recognised in relation to property, plant & equipment and development expenditure at Mt Cattlin, which is part of the Australian operating segment (refer to note 9). The Mt Cattlin mine and processing plant operations have been suspended since March 2013.

In assessing the recoverable amount of the property, plant & equipment at Mt Cattlin, consideration was given to both value in use and fair value less costs to sell. The recoverable amount was determined based on fair value less costs to sell. Fair value less costs to sell was estimated based on an assessment of the level of interest expressed by potential 3rd parties to acquire Mt Cattlin as a whole or its component parts. This assessment observed that very limited interest presently exists in the market for assets of this nature.

15. EXPLORATION AND EVALUATION ASSETS

	Boxwood Hill $	Mt Cattlin $	Sal de Vida $	James Bay $	**Total $**
Cost:					
Balance at 1 January 2013	722,369	4,101,089	114,688,919	16,269,964	135,782,341
Additions	191,039	271,402	7,707,888	(100,928)	8,069,401
Impairment [(a)]	(42,596)	(1,102,172)	-	(9,685,723)	(10,830,491)
Foreign exchange movement	-	-	3,076,829	1,016,687	4,093,516
Balance at 31 December 2013	870,812	3,270,319	125,473,636	7,500,000	137,114,767
Additions	**50,946**	**464,485**	**4,098,279**	**92,684**	**4,706,393**
Impairment [(a)]	**(921,758)**	**-**	**-**	**(5,609,744)**	**(6,531,502)**
Foreign exchange movement	**-**	**-**	**(4,311,594)**	**17,062**	**(4,294,533)**
Balance at 31 December 2014	**-**	**3,734,804**	**125,260,321**	**2,000,000**	**130,995,125**

(a) Impairment

James Bay

The group is currently not planning any future exploration activities on the James Bay project. As a result, impairment tests were undertaken and resulted in an impairment expense of $5,609,744 (2013: $9,685,723) being recorded at 31 December 2014.

The estimated recoverable amount of James Bay is its fair value less the costs to sell, which has been determined based on the quoted price in an active market for a company that owns a similar comparable asset. In assessing the fair value, consideration was given to relative differences between James Bay and the comparable asset including the size of the resource and stage of exploration and development.

Boxwood Hill

The Group has no substantive exploration activities planned for Boxwood Hill and some other miscellaneous Australian tenements. As a result these tenements have been written down to nil by recording an impairment expense of $921,758 (2013: $42,596) for the year ended 31 December 2014.

Mt Cattlin

In 2013 some tenements within the Mt Cattlin area had no further exploration activities planned or were surrendered. As a result impairment tests were undertaken and resulted in an impairment expense of $1,102,172 in the year ended 31 December 2013.

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014 $	2013 $
Equity securities, at fair value	**39,971**	101,734

As at 31 December 2014, the Group's available-for-sale financial assets were individually determined to be impaired on the basis of a significant decline in their fair value below cost. Adverse changes in the market in which these securities operated indicated that the cost of the Group's investment in them may not be recovered. As such, an impairment loss of $60,000 (2013: $95,000) was recognised, which represented the excess of original cost over the fair value in accordance with the policy set out in note 3(e).

17. TRADE AND OTHER PAYABLES

	2014 $	2013 $
Trade payables	**826,642**	1,265,842
Payroll tax and other statutory payables	**62,994**	37,191
Accrued interest payable	**4,131,530**	3,168,489
Other payables	**140,798**	75,837
	5,161,964	4,547,359

Trade and other payables mainly represented amounts owing for general expenses and accrued interest on convertible bonds and loans. These are expected to be settled within one year.

18. PROVISIONS

Movement in provisions	Rehabilitation $	Onerous Contracts $	Annual Leave $	Total $
Balance at 1 January 2013	5,313,782	-	347,785	5,661,567
Movement in provision	1,557,400	1,420,510	(318,717)	2,659,193
Balance at 31 December 2013 restated	6,871,182	1,420,510	29,068	8,320,760
Movement in provision	**584,073**	**(915,360)**	**117,238**	**(214,049)**
Balance 31 December 2014	**7,455,255**	**505,150**	**146,306**	**8,106,711**

	2014 $	Restated 2013 $
Total provisions		
Current	**651,456**	944,428
Non-current	**7,455,255**	7,376,332
Total	**8,106,711**	8,320,760

Non-current provisions relate to group's rehabilitation obligations in Australia and Canada.

Australia
A provision of $2,994,861 is recognised in respect of the rehabilitation obligations for Mt Cattlin, which is an increase as of $584,073 compared to the estimate in the 31 December 2013 financial statements.

The Mt Cattlin Plant was placed on care and maintenance in March 2013. The updated rehabilitation estimate has been based on a revised Mine Closure Report taking into account the inactivity of the Plant.

Canada
A provision of $4,460,394 is recognised in respect of the restoration of the tailings site at a former Coniagas mining site in Canada. The timing and amount of the rehabilitation is subject to negotiations with government authorities in Quebec.

19. INTEREST BEARING LIABILITIES

	2014 $	Restated 2013 $
Current		
Convertible bonds [(a)]	**60,000,000**	60,000,000
Secured loan [(b)]	**4,450,055**	4,702,000
Tianqi loan [(c)]	**36,782,737**	-
Balance at end of the year	**101,232,792**	64,702,000

(a) Convertible bonds

The bonds have a maturity date of 19 November 2015 with a 10% coupon per annum. The Bond Trust Deed contains default clauses in respect to other lending facilities of the Group (refer note 10(f)). These clauses can be enacted should a formal event of default be pursued by other lenders.

As at 31 December 2014, the Group had the following liability and assets measured at fair value:

Convertible bonds liability component – carrying value as at 31 December 2014 of $60,000,000 (31 December 2013: $60,000,000).

Convertible bonds equity component– carrying value as at 31 December 2014 of $nil (31 December 2013: $nil). The equity value is nil due to a short time period to expiry and a conversion price that is substantially above the current market price of Galaxy shares.

Galaxy's conversion option – carrying value as at 31 December 2014 of $nil. Hybrid share option pricing model is used for valuation with key inputs being expected exercise date of 19 November 2015, share price of the underlying equity $0.053, strike price of $0.922, share price volatility of 80% and dividend yield of 10%.

The aforementioned assets and liability are measured at fair value on a recurring basis at each reporting date until these are derecognised. These instruments are Level 3 financial instruments under the fair value hierarchy as defined under AASB 13 *Fair Value Measurement*. The valuation techniques adopted to measure these instruments have remained consistent with 31 December 2013. Inputs are updated at every reporting date. For the convertible bonds, there was no significant change in the fair value from 31 December 2013. The value of the conversion option as at 31 December 2014 is $nil (31 December 2013 is $nil).

(b) Secured loan

Galaxy entered into a $5 million subordinated secured short term loan facility ("Facility") in July 2013 with a lending consortium ("Consortium"). The Consortium is made up of existing, largely European-based institutional shareholders of Galaxy and was arranged by Galaxy's Special Management Committee in July 2013. As at 31 December 2014 $4.45 million remained outstanding on the Facility.

The Facility funds made available to provide additional near term funding for general corporate purposes and was due to be repaid on 1 November 2013. Interest rates on this Facility are 10% per annum and secured by the Company Interests in the Sal De Vida project, Mt Cattlin and James Bay. In 2014 the facility was renegotiated with additional funds of $2.3 million being made available and the repayment date extended to 31 July 2014. In September 2014, after a partial repayment of principal, a Deed of Amendment and Restatement was executed extending the remaining $4,702,128 of the Facility to 31 December 2014. A partial repayment in November 2014 has reduced the facility to $4.5 million. The Facility is currently repayable on demand, however, the Directors are confident that the loan will be extended to 31 March 2016 subject only to final documentation.

(c) Tianqi loan agreement

On 28 July 2014 the Company executed a loan agreement with Tianqi Group HK Co. Limited for a facility of US$30 million to progress the sale of the Jiangsu plant and provide working capital until the sale was completed. The initial term of the loan was to 31 January 2015. The repayment date has subsequently been extended to the earlier of 29 May 2015 or the completion date of the sale. The interest rate on the loan is 10% per annum.

(d) Jiangsu sale deposit

In May 2014 the Company received USD 12.2 million as a deposit on the sale of the Jiangsu plant in accordance with the conditions of the SPA. This amount is refundable and is show as a current liability in the statement of financial position. Interest is payable to Tianqui on this amount at a current rate of 6% per annum.

20. CONTINGENT ASSETS AND LIABILITIES

There are no material contingent assets or liabilities as at 31 December 2014 (2013: None).

21. EQUITY

(a) Contributed equity

(i) Share capital

	2014 Shares	2013 Shares	2014 $	2013 $
Fully paid ordinary shares	**1,064,783,990**	1,027,058,768	**450,485,432**	448,460,634

(ii) Movement in ordinary share capital

	Number of shares	$
Balance 1 January 2013	560,357,421	407,170,372
Issue of shares	446,272,382	43,781,937
Conversion of bonds	19,561,112	1,564,889
Exercise of options	867,853	69,428
	1,027,058,768	452,586,626
Transaction costs	-	(4,125,992)
Balance at 31 December 2013	1,027,058,768	448,460,634
Employee share issues	37,415,254	2,207,500
Exercise of options	309,968	24,798
Transaction costs	-	-
Balance at 31 December 2014	**1,064,783,990**	**450,692,932**

The Company does not have authorised capital or par value in respect of issued ordinary shares. All issued shares are fully paid.

Shares were issued during the year in order to provide working capital to the Company. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation. All shares issued are fully paid.

(iii) Listed Options

	2014 Number of Listed Options	2013 Number of Listed Options
Ordinary shares, issued and fully paid		
Balance at the beginning of the year	661,885,434	-
Issue of listed options	25,000,000	662,753,287
Exercise of listed options	(309,968)	(867,853)
Expiry of listed options	(686,575,466)	-
Balance at the end of the year	-	661,885,434

Issue of ordinary shares and listed options

On 14 April 2014 25,000,000 listed options were issued to the Consortium in consideration for provision of the Facility in July 2013 as detailed in note 19. The options granted to the lender were valued at $800,000 and expensed to the profit or loss in 2013. The valuation was calculated using a Black Scholes model with the following assumptions:

Dividend yield (%)	0%
Expected volatility (%)	65%
Risk free interest rate (%)	2.65%
Expected life of options (years)	1.43 years
Option exercise price ($)	$0.08
Share price at entitlement date ($)	$0.09

(iv) Unlisted options

Particulars of unlisted options including options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period is set out in note 22.

21. 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.

	Notes	Equity-settled payments reserve $	Foreign currency translation reserve $	Fair value reserve $	Total reserves $
Balance at 1 January 2013		37,026,735	(4,819,233)	-	32,207,502
Foreign currency translation differences		-	3,249,439	-	3,249,439
Total comprehensive loss		-	3,249,439	-	3,249,439
Transactions with owners in their capacity as owners					
Share-based payment transactions		1,248,892	-	-	1,248,892
Transfer of reserve upon forfeit of options		(22,240,475)	-	-	(22,240,475)
Balance at 31 December 2013		16,035,152	(1,569,794)	-	14,465,358
Foreign currency translation differences		**-**	**(1,592,927)**	**-**	**(1,592,927)**
Total comprehensive loss		**-**	**(1,592,927)**	**-**	**(1,592,927)**
Transactions with owners in their capacity as owners					
Share-based payment transactions		**113,770**	-	-	**113,770**
Transfer of reserve upon forfeit of options		**(1,000,103)**	**-**	**-**	**(1,000,103)**
Balance at 31 December 2014		**15,148,819**	**(3,162,721)**	**-**	**11,986,098**

(i) Nature and purpose of reserves

Equity-settled payment reserve

The equity-settled payments reserve comprise the portion of the grant date fair value of unexercised share options granted to employees and financiers of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 3(m).

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the consolidated financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(l).

Fair value reserve

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

(c) Capital Management

The Group manages its capital to ensure its entities will be able to continue as going concern while maximising the return to shareholders through the optimisation of its capital structure comprising all components of equity and loans and borrowings.

	2014 $	Restated 2013 $
Total liabilities	**285,264,039**	212,812,761
Less: cash and cash equivalents	**(13,580,514)**	(2,840,290)
Net debt	**271,683,525**	209,972,471
Total equity	**50,065,224**	104,114,973
Net debt to equity ratio at 31 December	**5.43**	2.02

During the year, the Group has maintained the capital base through loans and a cash management strategy including the preparation and monitoring of cash flow forecasts and cost control. Where a cash requirement is identified management will prepare suitable funding solutions to address the identified requirement.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

22. SHARE BASED PAYMENTS

a. Shares to directors

On 18 July 2014 37,415,254 fully paid ordinary shares were issued to directors (or their nominees) arising from the approval of various resolutions at the 20 June 2014 General Meeting. Share based payments of $2,207,500 has been expensed. $100,000 of shares expensed in 2013 were also reversed as the shares were not issued to directors who had resigned.

b. Options

i. Employee option scheme

The Company has an employee share option scheme which was adopted on 5 February 2007 and approved by the shareholders on 2 April 2009 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group to take up options at nil consideration to subscribe for shares in the Company. Options are also granted to directors from time to time as approved by the shareholders under the Corporations Act 2001 of the Commonwealth of Australia. Options vest immediately or after a certain period from the grant date and are then exercisable within a period of three to five years. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

At the Annual General Meeting held on 23 May 2012, the shareholders approved a change to amend the option vesting terms to remove the Stock Exchange of Hong Kong Listing vesting criteria for certain options. The market price of the ordinary shares on 23 May 2012 was $0.60. Other than this, there were no changes in the terms of those options and there was no change in the fair value of the options.

No options were granted to employees during the year (2013 Nil).

ii. Lender options

On 19 September 2014 12,000,000 unlisted options were issued to the Consortium in consideration for provision of additional funding under the Facility as detailed in note 19. The issue of these options was approved at the Annual General Meeting held 20 June 2014. The options are exercisable at $0.08, expire 2 years from issue and vest immediately.

The options granted to the lender have been valued at $213,770 and expensed to the profit or loss in 2014. The valuation was calculated using a Black Scholes model with the following assumptions:

Dividend yield (%)	0%
Expected volatility (%)	93%
Risk free interest rate (%)	2.19%
Expected life of options (years)	2 years
Option exercise price ($)	$0.08
Share price at entitlement date ($)	$0.053

iii. Summary of options granted

	2014		2013	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	$	**'000**	$	'000
Outstanding at the beginning of the year	**1.05**	**29,400**	1.04	58,850
Exercised during the year	**-**	**-**	-	-
Forfeited during the year	**0.91**	**(3,750)**	-	-
Expired during the year	**0.63**	**(4,150)**	1.04	29,450
Granted during the year	**0.08**	**12,000**	-	-
Outstanding at the end of the year	**0.77**	**33,500**	1.05	29,400
Exercisable at the end of the year	**0.32**	**15,600**	0.81	9,500

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22. SHARE BASED PAYMENTS

(b) Options

iv. Summary of options outstanding at end of year

Grant date	Option Class	Options outstanding	Vesting conditions	Non-vesting conditions	Contractual life of option	Exercise price
10/03/2010	E3	300,000	Fully vested	Each option shall vest on achievement of commercial production of lithium concentrate at the nameplate capacity specified in the final plant design at the Company's Mt Cattlin project for 3 consecutive months	5 years from satisfaction of non-vesting conditions	$1.11
10/03/2010	H	900,000	Fully vested	Each option shall vest on achievement of commercial production of lithium concentrate at the nameplate capacity specified in the final plant design at the Company's Jiangsu project for 3 consecutive months	5 years from satisfaction of non-vesting conditions	$1.11
10/03/2010	I	3,600,000	Completion of 18 months of employment	None	5 years from the vesting date	$1.11
22/12/2010	K1	4,000,000	Latest to occur of completion of 12 months service from 13 October 2010, and the Company's share price being greater than A$2 based on the 10 day VWAP.	None	5 years from the vesting date	$1.16
22/12/2010	K2	5,400,000	Latest to occur of completion of 12 months service from 13 October 2010, and the Company's share price being greater than A$2 based on the 10 day VWAP.	None	5 years from the vesting date	$1.16
24/03/2011	L	1,100,000	Latest to occur of completion of 18 months service from 24 February 2011, and Company's share price being greater than A$2.00 based on a 10 day VWAP.	None	3 years from the vesting date	$1.16
13/02/2012	H	1,000,000	Fully vested	Each option shall vest on achievement of commercial production of lithium concentrate at the nameplate capacity specified in the final plant design at the Company's Jiangsu project for 3 months.	5 years from the vesting date	$1.16
13/02/2012	M	5,200,000	Latest to occur of completion of 18 months service from 30 November 2011, and the Company's share price being greater than A$2.00 based on a 10 day VWAP.	None	3 years from the vesting date	$1.16
19/09/2014		12,000,000	Fully vested	None	2 years from issue date	$0.08
Total		**33,500,000**				

v. fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of the share options granted. The estimate of the fair value of these share options granted is measured using generally accepted valuation techniques including Black Scholes and Monte-Carlo (K1, K2, K3 and L) simulations. The Company has applied an appropriate probability weighting to factor the likelihood of the satisfaction of non-vesting conditions.

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

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

Certain share options were granted under service and non-market performance conditions. This condition has not been taken into account in the grant date fair value measurement. There were no market conditions associated with the share option grants, except for class J, K1, K2 and K3, which has been taken into account in measuring the grant date fair value.

22. SHARE BASED PAYMENTS

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

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

	2014 $	2013 $
Expense arising from directors, or their nominees shares	**2,107,500**	100,000
Expense arising from employee option scheme	**-**	348,892
Expense arising from lender options	**213,770**	800,000
Total share based payments	**2,321,270**	1,248,892

23. PARENT ENTITY DISCLOSURE

As at, and throughout the financial year ended 31 December 2014, the parent company of the Group was Galaxy Resources Limited.

Result of the parent entity	2014 $	2013 $
(Loss) for the year	**(14,406,344)**	(115,194,521)
Other comprehensive (loss)	**-**	-
Total comprehensive (loss) for the year	**(14,406,344)**	(115,194,521)
Financial Position of parent entity at year end		
Current Assets	**1,224,580**	2,317,064
Total Assets	**132,406,833**	435,226,408
Current Liabilities	**67,809,425**	66,663,476
Total Liabilities	**67,809,425**	68,791,767
Total equity of the parent entity comprising of:		
Contributed Equity	**450,485,432**	448,460,635
Reserves	**15,735,049**	16,035,151
Accumulated losses	**(401,623,073)**	(98,061,145)
Total Equity	**64,597,408**	366,434,641

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its Australian subsidiaries. Refer to note 30 for further details.

24. 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:

	2014 $	2013 $
Within one year	437,900	555,900

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.

24. COMMITMENTS

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

	2014 $	2013 $
Within one year	91,110	390,258
More than one year but less than five years	-	95,460
	91,110	485,718

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.

25. RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	2014 $	2013 $
Salaries and other short-term emoluments	895,441	3,125,583
Contributions to retirement benefit schemes	23,940	158,461
Share-based payments	2,207,500	100,000
	3,126,881	3,384,044

Detailed remuneration disclosures are provided in the remuneration report on pages 4 to 8.

26. AUDITOR'S REMUNERATION

	Audit services 2014 $	**Taxation & other services 2014 $**	**Total 2014 $**	Audit services 2013 $	Taxation & other services 2013 $	Total 2013 $
Auditors of the Company						
- PWC Australia:	**222,500**	**42,292**	**264,792**	-	-	-
- PWC China	**106,562**	**-**	**106,562**	-	-	-
- PWC Netherlands	**-**	**4,326**	**4,326**	-	4,235	4,235
Total paid to PWC for the provision of services	**329,062**	**46,618**	**375,680**	-	4,235	4,235
- KPMG Australia	**275,960**	**113,068**	**389,028**	342,339	345,521	687,860
- KPMG People's Republic of China	**79,742**	**-**	**79,742**	50,000	-	50,000
- KPMG Hong Kong	**16,078**	**-**	**16,078**	13,654	-	13,654
- KPMG Canada	**-**	**23,729**	**23,729**	-	20,036	20,036
- KPMG USA	**-**	**12,134**	**12,134**	-	11,221	11,221
Total paid to KPMG for the provision of services	**371,780**	**148,931**	**520,711**	405,993	376,778	782,771

27. EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matters discussed in note 2(e) on Going Concern, 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.

28. FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

(a) Credit risk

Credit risk is the risk of financial loss to the Group if counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents and available-for-sale financial assets. Other receivables predominantly relates to trade receivables from China. Management do not consider this receivable balance is subject to any material credit risk.

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

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

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

Impairment

As at 31 December 2014, the Group's available-for-sale financial assets were individually determined to be impaired on the basis of a material decline in their fair value below cost. Adverse changes in the market in which these investees operated indicated that the cost of the Group's investment in them may not be recovered. As such, an impairment loss of $60,000 (2013: $95,000) was recognised in profit or loss, which represented the excess of original cost over the fair value in accordance with the policy set out in note 3(e).

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

	Note	Carrying amount	
		2014	2013
		$	$
Financial assets classified as available for sale	16	**39,971**	101,734
Trade and other receivables	12	**669,489**	536,910
Cash and cash equivalents	11	**13,389,040**	2,565,190
		14,098,500	3,203,834

28. FINANCIAL RISK MANAGEMENT

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputations (refer note 2(e)).

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

Group as at 31 December 2014

	Carrying amount $	Undiscounted contractual cash outflows $	Within 1 year or on demand $	More than 1 year but less than 2 years $	More than 2 years but less than 5 years $	More than 5 years $
Trade and other payables	5,161,964	5,161,964	5,161,964	-	-	-
Secured bank loans	128,970,488	131,438,950	131,438,950	-	-	-
Tianqi loan	36,782,737	38,282,523	38,282,523	-	-	-
Convertible bonds	60,000,000	68,640,000	68,640,000	-	-	-
Total	230,915,189	243,523,437	243,523,437	-	-	-

Group as at 31 December 2013
Restated

	Carrying amount $	Undiscounted contractual cash outflows $	Within 1 year or on demand $	More than 1 year but less than 2 years $	More than 2 years but less than 5 years $	More than 5 years $
Trade and other payables	18,959,447	18,959,447	18,959,447	-	-	-
Secured bank loans	120,830,554	121,705,782	75,401,876	24,259,629	22,044,277	-
Secured loan	4,702,000	5,172,000	5,172,000	-	-	-
Convertible bonds	60,000,000	74,400,000	8,400,000	66,000,000	-	-
Total	204,492,001	220,237,229	107,933,323	90,259,629	22,044,277	-

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

(c) Foreign exchange risk

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

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

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

	2014	2013
Group	**USD**	USD
Cash and cash equivalents	10,497,621	37,140
Interest bearing liabilities	(30,000,000)	(9,016,421)
Balance sheet exposure	(19,502,379)	(8,979,281)

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
AUD	**2014**	**2013**	**2014**	**2013**
US 1	0.902	0.967	0.816	0.887

28. FINANCIAL RISK MANAGEMENT

(c) Foreign exchange risk

Sensitivity analysis

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

	31 December 2014		31 December 2013	
Effect in Australian dollars	**Equity**	**Loss for the period**	Equity	Loss for the period
USD	-	3,496,776	-	(897,928)

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

(d) Interest rate risk

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

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

Group	**31 December 2014**	**31 December 2013**
Cash and cash equivalents	$13,580,514	$2,840,290
- Interest rate	0% to 3.39%	0% to 2.5%
Interest bearing liabilities	124,520,433	183,657,080
- Interest rate	6.56% to 10%	6.56% to 10%

Sensitivity Analysis

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

	Year Ended 31 December 2014	**Year Ended 31 December 2013**
Cash and cash equivalents		
Increase of 100 basis points	(135,805)	(28,402)
Decrease of 100 basis points	135,805	28,402
Interest bearing liabilities		
Increase of 100 basis points	1,245,204	1,836,571
Decrease of 100 basis points	(1,245,204)	(1,836,571)

(e) Equity Price Risk

Equity price risks arise from available-for-sale financial assets. Both during and at the end of the year/period, movements in the fair value of this investment do not have a significant impact on the Group's financial position and performance.

(f) Fair value hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability are set out in note 21(b).

Group	**31 December 2014**		**Restated 31 December 2013**	
	Level 1	**Level 3**	**Level 1**	**Level 3**
Available-for-sale financial assets	39,971	-	101,734	-
Financial liabilities at fair value through the profit and loss	-	60,000,000	-	60,000,000

28. FINANCIAL RISK MANAGEMENT

(f) Fair value hierarchy

The following table shows reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

Financial liabilities at fair value through the profit and loss	2014 $	Restated 2013 $
Balance at 1 January	**60,000,000**	59,249,585
Additions: Convertible bonds tranches issued	-	-
Valuation adjustments recognised in profit or loss	-	750,415
Balance at 31 December	**60,000,000**	60,000,000

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

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

29. ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Critical judgements

Going concern

A key assumption underlying the preparation of the consolidated financial statements is that the entity will continue as a going concern. An entity is a going concern when it is considered to be able to pay its debts as and when they are due, and to continue in operations without any intention or necessity to liquidate or otherwise wind up its operations. A significant amount of judgement has been required in assessing whether the Group is a going concern as set out in note 2(e).

(b) Estimates and assumptions

(i) Ore reserves

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

(ii) Exploration and evaluation assets

Determining the recoverability of exploration and evaluation assets capitalised in accordance with the Group's accounting policy (see note 3(c)) requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploration, or alternatively sale, of the respective areas of interest will be achieved. Critical to this assessment is estimates and assumptions as to ore reserves (see note 29(b)(i) above), the timing of expected cash flows, exchange rates, commodity prices and future capital requirements. Changes in these estimates and assumptions as new information about the presence or recoverability of an ore reserve becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after having capitalised the expenditure under the accounting policies, a judgment is made that the recovery of the expenditure is unlikely, an impairment loss is recorded in the profit or loss in accordance with accounting policy (see note 3(e)).

(iii) Provision for rehabilitation

Determining the cost of rehabilitation, decommissioning and restoration of the area disturbed during mining activities in accordance with the Group's accounting policy (see note 3(i)), requires the use of significant estimates and assumptions, including: the appropriate rate at which to discount the liability, the timing of the cash flows and expected life of the relevant area of interest, the application of relevant environmental legislation, and the future expected costs of rehabilitation, decommissioning and restoration.

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

(iv) Impairment of assets

The recoverable amount of each non-financial asset or CGU is determined as the higher of the value-in-use and fair value less costs to sell, in accordance with the Group's accounting policies (see note 3(e)). Determination of the recoverable amount of an asset or CGU based on a discounted cash flow model, requires the use of estimates and assumptions, including: the appropriate rate at which to discount the cash flows, the timing of cash flow and expected life of the relevant area of interest, exchange rates, commodity prices, ore reserves, future capital requirements and future operating performance.

Changes in these estimates and assumptions impact the recoverable amount of the asset or CGU, and accordingly could result in an adjustment to the carrying amount of that asset or CGU. Refer to notes 14 and 15 for details.

29. ACCOUNTING JUDGEMENTS AND ESTIMATES

(b) Estimates and assumptions

(v) Share based payments

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

Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. Any different estimates and assumptions affecting the measurement inputs would have resulted in different grant date fair values, which would have changed equity settled share-based payments expense.

Subsequent changes to this estimate could have a significant effect on share based payment expense and the associated equity-settled payments reserve.

(vi) Valuation of Convertible Bonds

The fair value of the Convertible bonds is determined by valuing the bond component based on discounted cash flows and using accepted option valuation models to value the issuer's right to convert. The fair value of the Convertible bonds is determined by valuing the bond component based on discounted cash flows and using accepted option valuation models to value the combined impact of the holder's right to convert and the issuer's right to force conversion under certain hurdle conditions as set out in note 19(a).

30. DEED OF CROSS GUARANTEE

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

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and the controlled entities which are party to the Deed, after eliminating all transactions between the parties to the Deed of Cross Guarantee, for the year ended 31 December 2014 is set out as follows:

Consolidated Statement of Comprehensive Income

	2014 **$**	2013 $
Revenue from continuing operations	34,933	24,727,432
Other income	185,401	1,346,740
Expenses		
Operating costs	(309,954)	(3,155,963)
Administration costs	(4,299,614)	(6,182,269)
Employment costs	(4,494,200)	(5,369,162)
Depreciation	(98,201)	(6,864,188)
Finance costs	(9,588,900)	(12,481,501)
Foreign exchange gains (losses)	545,199	(137,972)
Impairment of property, plant and equipment	(26,724)	(35,598,549)
Impairment of exploration and evaluation	(921,758)	(1,144,768)
Impairment on investment in subsidiary	(79,455,370)	-
Provision for rehabilitation	(581,251)	(1,557,400)
Provision for inventory	-	(1,094,171)
Provision for onerous contracts	-	(1,420,510)
Loss before taxation	**(99,010,437)**	**(48,932,282)**
Income tax	-	-
Loss for the year	**(99,010,437)**	**(48,932,282)**

30. DEED OF CROSS GUARANTEE

Consolidated Balance Sheet

	2014 **$**	Restated 2013 $
CURRENT ASSETS		
Other receivables and prepayments	7,690,715	429,438
Inventories	1,095,870	1,161,731
Cash and cash equivalents	13,118,877	2,121,299
TOTAL CURRENT ASSETS	**21,905,462**	3,712,468
NON-CURRENT ASSETS		
Property, plant and equipment	1,591,487	1,690,047
Exploration and evaluation assets	3,734,804	4,141,131
Available-for-sale financial assets	25,000	85,000
Other receivables and prepayments	28,147,101	11,494,707
Investments in subsidiaries	136,104,566	215,223,703
TOTAL NON-CURRENT ASSETS	**169,602,957**	232,634,589
TOTAL ASSETS	**191,508,420**	236,347,057
CURRENT LIABILITIES		
Trade and other payables	11,624,960	10,865,265
Deposit for Jiangsu transaction	14,958,313	-
Provisions	146,306	29,068
Interest bearing liabilities	101,232,792	64,702,000
TOTAL CURRENT LIABILITIES	**127,962,370**	75,596,693
NON-CURRENT LIABILITIES		
Provisions	3,500,011	3,834,120
TOTAL NON-CURRENT LIABILITIES	**3,500,011**	3,834,120
TOTAL LIABILITIES	**131,462,381**	79,430,813
NET ASSETS	**60,046,038**	156,916,244
CAPITAL AND RESERVES		
Share capital	450,692,932	448,460,635
Reserves	15,148,819	16,035,151
Accumulated Losses	(405,795,713)	(307,579,542)
TOTAL EQUITY	**60,046,038**	156,916,244

31. CORRECTION OF PRIOR YEAR ERRORS

During the 2014 half year the Company identified two errors, for items (i) and (ii) below relating to the 2013 financial year that were recognised in the 2014 half year. These corrections were not considered material to the current or prior year and did not warrant restatement of the previous year. However, in the process of finalising the 2014 financial statements, an additional error at (iii) below was identified and the combination of these prior year errors were considered material to both the current and prior year resulting in a restatement of the 2013 comparative year for each of these errors as follows:

(i) Onerous contracts relating to the Mt Cattlin operations (the "mine")

During the year a number of onerous contracts were identified relating to the mine that should have been previously recognised at the time of closing these operations in 2013. In this regard, a provision for onerous contracts of $928,580 was originally recognised in the 30 June 2014 half-year financial report.

Further analysis determined that the provision should have been recognised in the financial statements for the year ended 31 December 2013 given that the mine was in care and maintenance at that date. The provision for these onerous contracts at 31 December 2013 that were not recognized amounted to $1,420,510.

31. CORRECTION OF PRIOR YEAR ERRORS

During the preparation of the 30 June 2014 half-year financial report, the impact of these onerous contracts on the comparative financial information was assessed as not material. However, during the preparation of the financial statements for the year ended 31 December 2014, the accumulated impact of all uncorrected misstatements relating to 2013 was reassessed and it was determined that restatement of the comparative information in the 31 December 2014 financial report was required. This error did not have any impact on the opening balance sheet as at 1 January 2013.

(ii) Net realisable value adjustment on inventory relating to the Mt Cattlin operations

During the year it was identified that stores inventory relating to the mine were carried at cost as at 31 December 2013. Given the mine's care and maintenance status, the net realisable value (NRV) of the inventory at that date was determined to be below cost. An NRV provision of $1,094,171 was recognised in the 30 June 2014 half-year financial report.

Further analysis determined that the provision should have been recognised in the financial statements for the year ended 31 December 2013 given that the mine was in care and maintenance at that date.

During the preparation of the financial report for the half-year ended 30 June 2014, the impact of the matter on the comparative financial information was assessed as not material. However, during the preparation of the financial statements for the year ended 31 December 2014 the accumulated impact of all uncorrected misstatements relating to 2013 was reassessed and it was determined that restatement of the comparative information in the 31 December 2014 financial report was required. This error did not have any impact on the opening balance sheet as at 1 January 2013.

(iii) Measurement of convertible bonds

In the process of finalising the 2014 financial statements, it was noted that convertible bonds were being recorded based on fair value calculations that assumed repayment of these bonds in November 2015. However these bonds could have been technically in default in the prior year and the fair value of the convertible bonds as at 31 December 2013 was re-assessed on the basis that they were due and payable on demand. As a result, the fair value of the bonds and finance costs were both understated by $1,875,474 in the financial statements for the year ended 31 December 2013. This error was corrected by restating the comparative information in the financial report for the year ended 31 December 2014. This error did not have any impact on the opening balance sheet as at 1 January 2013.

These prior year errors have been corrected by restating each of the affected financial statements line items for the prior periods as follows:

For the year ended 31 December 2013	Prior Year before correction of errors 31 December 2013 $	Correction of errors $	Prior year restated for correction of errors 31 December 2013 $
Consolidated statement of financial position (extract)			
Inventories (ii)	2,255,902	(1,094,171)	1,161,731
Interest bearing liabilities – current (iii)	(62,826,526)	(1,875,474)	(64,702,000)
Provisions – current (i)	(29,068)	(915,360)	(944,428)
Provisions – non-current (i)	(6,871,182)	(505,150)	(7,376,332)
Accumulated losses	(359,444,510)	(4,390,155)	(363,834,665)
Total equity	**108,505,128**	**(4,390,155)**	**104,114,973**
Consolidated statement of profit or loss and other comprehensive income (extract)			
Finance costs (iii)	(10,602,356)	(1,875,474)	(12,477,830)
Operating costs (ii)	(3,155,963)	(1,094,171)	(4,250,134)
Provision for onerous contracts (i)	-	(1,420,510)	(1,420,510)
Loss before income tax	**(77,447,913)**	**(4,390,155)**	**(81,838,068)**
Loss from continuing operations	**(77,447,913)**	**(4,390,155)**	**(81,838,068)**
Loss for the year attributable to the owners of Galaxy Resources Limited	**(103,511,544)**	**(4,390,155)**	**(107,901,699)**
Total comprehensive loss for the year attributable to the owners of Galaxy Resources Limited	**(100,262,106)**	**(4,390,155)**	**(104,652,261)**
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company:			
Basic and diluted loss per share (cents per share)	(10.74)	(0.60)	(11.34)
Earnings per share for loss attributable to the ordinary equity holders of the Company:			
Basic and diluted loss per share (cents per share)	(14.34)	(0.60)	(14.96)

None of the corrected errors had any impact on the cash flow statement in the prior year. All of the corrected errors impacted continuing operations and there was no impact on discontinued operations.

32. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2014 **$**	Restated 2013 $
Loss for the year	**(54,703,347)**	(107,901,699)
Adjustment for:		
Depreciation and amortisation	**3,702,140**	20,821,754
Net finance costs	**16,869,581**	18,935,866
Impairment	**7,139,476**	46,429,040
Share-based payments	**2,107,500**	448,892
	29,818,697	86,635,552
Change in trade and other receivables	**2,872,239**	(9,675,763)
Change in payables	**17,486,343**	(1,140,374)
Change in inventories	**(5,630,736)**	12,710,003
Change in prepayments	**213,909**	(1,892,176)
Change in provisions and employee benefits	**117,238**	2,704,193
	15,058,993	2,705,883
Net cash used in operating activities	**(9,825,657)**	(18,560,264)

1. In the opinion of the Directors of Galaxy Resources Limited:

   (a) the consolidated financial statements and notes and the remuneration disclosures that are contained in the Remuneration Report in the Directors Report set out on pages 4 to 51 are in accordance with the Corporations Act 2001 including:

      i. giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the financial year 1 January 2014 to 31 December 2014; and

      ii complying with Australian Accounting Standards and the Corporations Regulations 2001; 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.

2. there are reasonable grounds to believe that the Company and the group entities identified in note 4 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

3. the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

The directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors:

Dated at Perth, 31st day of March 2015.

A P Tse
Managing Director

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

Report on the financial report

We have audited the accompanying financial report of Galaxy Resources Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2014, 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 year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Galaxy Resources Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

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Auditor's opinion

In our opinion:

(a) the financial report of Galaxy Resources Limited is in accordance with the *Corporations Act 2001,* including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a).

Material uncertainty regarding continuation as a going concern

Without modifying our opinion, we draw your attention to Note 2(e) in the financial report which indicates that the consolidated entity incurred a loss after tax for the year of $54.7 million and has net current liabilities of $75.4 million. The ability of the consolidated entity to continue as a going concern is dependent on the successful completion of the sale of its subsidiary and, prior to maturity of its remaining debt obligations, being successful in renegotiating the terms of its debt arrangements or raising additional funds via new debt or equity issues or from asset sales. These conditions, along with other matters set forth in Note 2(e), indicate the existence of a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern and, therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in pages 4 to 8 of the directors' report for the year ended 31 December 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Galaxy Resources Limited for the year ended 31 December 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Henry

Nick Henry
Partner

Perth, Western Australia
1 April 2015

1. TOP TWENTY SHAREHOLDERS AT 13 APRIL 2015

Shareholder		Number of Shares	% Issued Capital
1.	DNU Nominees Pty Limited	83,002,709	7.80
2.	Citicorp Nominees Pty Limited	51,976,084	4.88
3.	HSBC Custody Nominees (Australia) Limited – GSCO ECA	49,000,000	4.60
4.	J P Morgan Nominees Australia Limited	44,864,536	4.21
5.	HSBC Custody Nominees (Australia) Limited	44,674,635	4.20
6.	National Nominees Limited	42,610,103	4.00
7.	Creat Resources Holdings Limited	37,584,912	3.53
8.	Bell Potter Nominees Limited <BB Nominees A/C>	30,822,339	2.89
9.	Mr Paul Cozzi	29,763,084	2.80
10.	Nero Resource Fund Pty Ltd <Nero Resource Fund A/C>	26,384,249	2.48
11.	Marford Group Pty Ltd	19,002,000	1.78
12.	Cape Bouvard Equities Pty Limited	12,727,272	1.20
13.	Clipper Group Limited	12,394,967	1.16
14.	Mr Anthony Peter Tse	12,118,644	1.14
15.	Mr Charles Bernard Francis Whitfield	12,118,644	1.14
16.	HSBC Custody Nominees (Australia) Limited – <NT-Comnwlth Super Corp A/C>	11,059,774	1.04
17.	Credit Risk Management Services Pty Limited	11,000,000	1.03
18.	Computershare Trust Company of Canada	10,942,297	1.03
19.	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	10,337,735	0.97
20.	BNP Paribas Noms Pty Ltd <DRP>	8,009,855	0.78
		560,393,839	52.66

2. SHARE HOLDINGS AT 13 APRIL 2015

(a) Distribution of Shareholders

Shareholding			Number of Holders Fully paid ordinary shares
1	-	1,000	338
1,001	-	5,000	838
5,001	-	10,000	902
10,001	-	100,000	3,138
100,001	-	over	812
			6,028

(b) Unmarketable Parcels
There are 1,384 shareholders who hold less than a marketable parcel.

(c) Voting Rights
Voting rights are one vote per fully paid ordinary share.

3. NAMES OF SUBSTANTIAL HOLDERS

Shareholder	Number of Shares
Acorn Capital Limited	87,482,802
Deutsche Bank AG	83,573,090

4. DISTRIBUTION OF UNLISTED OPTIONS

Distribution	$0.08	$1.11	$1.16
10,001 – 100,000	-	-	115
100,001 - over	1	16	19
Total Holders	**1**	**16**	**134**
Total Units	**12,000,000**	**4,800,000**	**16,700,000**

Persons holding greater than 20% of unlisted securities not issued under an employment incentive scheme:

Clipper Group Limited – Unlisted options exercisable at $0.08 on or before 19 September 2016 – 12,000,000 (100%)

5. RESTRICTED SECURITIES

As at the date of this report, there were no restricted securities.

6. ON MARKET BUY-BACK

As at the date of this report, there was no current on market buy-back.

7. TENEMENT SCHEDULE

Project	Tenement	Notes (100% interest unless stated)
Argentina		
Sal De Vida	Various	96% (70% Interest upon satisfaction of JV conditions with Kores Consortium.)
Australia		
Boxwood Hill	E70/2493	
	E70/2513-E70/2514	
Ponton	E28/1317	
	E28/1830	
Ravensthorpe		
Bakers Hill	E74/295	
	E74/299	
	E74/415	
Floater	E74/400	
	P74/307-P74/308	
Mt Cattlin	L74/46	
	L74/48	
	M74/244	
Sirdar	E74/401	80% Interest with Traka Resources.
	P74/309-P74/310	80% Interest with Traka Resources.
West Kundip	L74/47	
	M74/133	
	M74/238	
Canada		
James Bay	Various	

8. MINERAL RESERVES AND RESOURCES

The Company has reviewed its Mineral Resources and Mineral Reserves as at 31 December 2014.

The following information in relation to the Company's Mineral Resources and Mineral Reserves is relevant as at 31 December 2013 and 31 December 2014.

Sal de Vida Project

Table 1 – Summary of Mineral Resource Estimate

Resource Category	Brine Volume (m^3)	Avg. *Li* (mg/l)	In situ *Li* (tonnes)	Li_2Co_3 Equivalent (tonnes)	Avg. *K* (mg/l)	In situ *K* (tonnes)	*KCl* Equivalent (tonnes)
Measured	7.2×10^8	787	565,000	3,005,000	8,695	6,241,000	11,902,000
Indicated	2.6×10^8	768	197,000	1,048,000	8,534	2,186,000	4,169,000
M+Ind	9.8×10^8	782	762,000	4,053,000	8,653	8,427,000	16,071,000
Inferred	8.3×10^8	718	597,000	3,180,000	8,051	6,692,000	12,762,000

Cut off grade: 500 mg/L lithium.

Table 2 – Probable and Proven Reserve Statement April 2013

Total tonnages for the economic reserve values provided in Table 2 account for anticipated leakage and process losses of lithium and potassium. Table 2 gives results of the Proven and Probable Reserves from the Southwest and East well fields when these percent estimated processing losses are factored in, assuming a continuous average brine extraction rate of 30,000 m^3/d. The conversion factor for Lithium to Lithium Carbonate is: x 5.3228. The conversion factor for Potassium to Potassium Chloride is: x 1.907.

Reserve Category	Time Period	*Li* Total Mass (tonnes)	Li_2Co_3 Equivalent (tonnes)	*K* Total Mass (tonnes)	*KCl* Equivalent (tonnes)
Proven	1 - 6	34,000	181,000	332,000	633,000
Probable	7 - 40	180,000	958,000	1,869,000	3,564,000
Total	40 years total	214,000	**1,139,000**	2,201,000	4,197,000

Assumes 500 mg/L Li cut off

James Bay Project

Table 1 - James Bay Mineral Resource Estimate, November 2010

Resource	Tonnes	Li_2O%
Indicated	11,750,000	1.30%
Inferred	10,470,000	1.20%
Total	22,220,000	1.28%

Note: Reported at a cut-off grade of 0.75 percent Li_2O inside conceptual pit shells with overall pit slope of forty-five degrees. All figures rounded to reflect the relative accuracy of the estimates. Mineral resources are not mineral reserves and do not have demonstrated economic viability.

This Mineral Resource Estimate at the James Bay project was current at the time Galaxy acquired the project and no further estimation work has taken place since the acquisition of the project.

Mt Cattlin Project

Table 1 - Resource March 2011. 0.4% cutoff, depleted for Dec 2011 EOM surface

Category	Tonnes	Li_2O%	Ta_2O_5 ppm	Nb205 ppm	Li20 metal	Ta205 pounds
Measured	2,900,000	1.19	147	93	34,000	942,000
Indicated	9,906,000	1.06	168	85	105,000	3,665,000
Inferred	4,350,000	1.07	132	91	47,000	1,269,000
TOTAL	**17,155,000**	**1.09**	**155**	**88**	**186,000**	**5,876,000**
TOTAL M & I	12,805,000	1.09	163	87	140,000	4,607,000

Figures may not sum due to rounding and significant figures do not imply an added level of precision

Table 2 - Reserve September 2010, 0.4%Li20 cutoff, depleted for Dec 2011 EOM surface

Reserves	Tonnes	Li_2O%	Ta_2O_5 ppm
Proved	2,803,000	1.09	136
Probable	7,933,000	1.03	150
TOTAL	**10,737,000**	**1.04**	**146**

Controls and Governance

The Company engaged independent consultants to prepare mineral resource and reserve estimates at the Sal di Vida and Mt Cattlin projects.

In the course of doing so the consultants have:

- Reviewed Galaxy's assay and QAQC data.
- Generated electronic models that represent the interpreted geology, mineralisation and oxidation profiles based on drilling and geological information supplied by Galaxy.
- Complete statistical analysis and variography for economic elements.
- Estimated grades of economic elements using ordinary kriging and completed model validity checks.
- Classified the Mineral Resource estimate in accordance with the 2004 edition of the JORC Code.
- Reported the estimates and compiled supporting documentation in accordance with the 2004 edition of the JORC Code.

This Mineral Resource Estimate at the James Bay project was current at the time Galaxy acquired the project and no further estimation work has taken place since the acquisition of the project.

Competent Persons Statements

The information in this document that relates to Mineral Resources and Reserves for the Sal de Vida project has been compiled by Mr Michael Rosko. Mr Rosko is a member of a recognised Overseas Professional Organisation. Mr Rosko is a full time employee of E.L. Montgomery and Associates and has sufficient relevant experience of the style of mineralisation and type of deposit under consideration and of the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code. Mr Rosko consents to the inclusion in this document of the matters based on his information in the form and context in which it appears. This information was prepared and first disclosed under the JORC Code 2004. It has been not been updated since to comply with JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The information in this report that relates to Mineral Resources and Exploration Result for the Mt Cattlin Project is based on information compiled by Mr Robert Spiers who is a full time employee of H&S Consultants Pty Ltd and Dr Mike Grigson who is a full time employee of Arc Minerals. Mr Spiers and Dr Grigson have sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Spiers and Dr Grigson consent to the inclusion in the report of the matters based on information in the form and context in which it appears. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The information in this report that relates to Ore Resources at the Mt Catlin Project is based on information compiled by Mr Roselt Croeser who is a full time employee Croeser Pty Ltd. Mr Croeser has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Croeser consents to the inclusion in the report of the matters based on their information in the form and context in which it appears. This information was prepared and first disclosed under the JORC Code 2004. It has been not been updated since to comply with JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The information in this report that relates to Mineral Resources at the James Bay Project is based on work completed by Mr James McCann, who is a Member of a Recognised Overseas Professional Organisation. Mr McCann is a full time employee of McCann Geosciences, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr McCann consents to the inclusion in the report of the matters based on his information in the form and context it appears.