GALAXY

2011 ANNUAL REPORT

Year End December 31, 2011

Contents

Mt Cattlin Spodumene Mine in Western Australia

GALAXY OFFICIALLY OPENS JIANGSU LITHIUM CARBONATE PLANT IN CHINA

Galaxy officially opened its wholly-owned Jiangsu Lithium Carbonate Plant on the 7 March 2012 (subsequent to the period).

An opening ceremony at Jiangsu was attended by 400 delegates and included Galaxy's Board of Directors, Senior Management, Australia's Consul General in Shanghai, Alice Cawte, the Zhangjiagang FTZ Administrative Committee, substantial shareholders Creat Group and Fengli Group, as well as key offtake customers.

Company

GALAXY: THE COMPANY

Galaxy Resources Limited ("Galaxy") is an Australian-based integrated lithium mining, chemicals and battery company listed on the Australian Securities Exchange (Code: GXY) and is a S&P/ASX 300 Index Company.

Galaxy wholly owns the Mt Cattlin project near Ravensthorpe in Western Australia where it mines lithium pegmatite ore and processes it on site to produce a spodumene concentrate and tantalum by-product.

At full capacity, Galaxy will produce 137,000 tpa of spodumene concentrate and 56,000 lbs per annum of contained tantalum. The concentrated spodumene is shipped to Galaxy's wholly-owned Lithium Carbonate Plant in China's Jiangsu province. The Jiangsu Plant will produce 17,000 tpa of battery grade lithium carbonate, making it the largest producer in the Asia Pacific region and the fourth largest in the world.

HIGHLIGHTS OF 2011

- Safety performance was excellent with no Lost Time Injuries recorded for the last 4 years
- A$120 million capital raising completed
- Paid down CDB debt and replaced with more attractive CCB debt
- Mt Cattlin producing, ramp-up commenced
- A total of 63,853 tonnes of spodumene produced during 2011
- Three spodumene shipments to China completed by end-2011
- Mt Cattlin resource upgraded, mine life extended
- First tantalum concentrate from Mt Cattlin sold under long term deal with Global Advanced Metals
- Mechanical completion achieved at Jiangsu Lithium Carbonate Plant
- Two million man hours of construction activity at the Jiangsu Lithium Carbonate Plant without Lost Time Injuries
- Construction completed 1 month earlier than revised timeline and within budget
- Commissioning of Jiangsu on track with first product expected by end Q1 2012
- James Bay farm-in agreement finalised, Galaxy acquired 20%, feasibility study commenced
- Revised feasibility study for Battery project targeting 620,000 packs per annum
- Technology licence agreement signed with US lithium battery producer
- Debt funding interest received for Battery Project from 3 major PRC banks
- Offtake Agreements for 80% of battery pack production completed

Galaxy is also advancing plans for a lithium-ion battery plant, to produce 620,000 battery packs per annum for the electric bike (e-bike) market. The Company also has a farm-in agreement with TSX-V listed Lithium One Inc (Code: LI) to acquire up to 70% of the James Bay Lithium Pegmatite Project in Quebec, Canada.

Galaxy is bullish about the global lithium demand outlook and is positioning itself to achieve its goal of being involved in every step of the lithium supply chain.

Jiangsu Lithium Carbonate Plant in China

Mt Cattlin is designed to produce 137,000 tonnes of spodumene as a dedicated feedstock for the Jiangsu Lithium Carbonate Plant

Lithium

WORLD OF LITHIUM

Lithium (chemical symbol Li), the third element in the periodic table, atomic weight of 6.94 g/mole, is a member of the group of alkali metals.

The lithium atom is the smallest of the metal atoms in the periodic table. Lithium is a soft silver-grey metal, yet when combined with metals such as magnesium, it forms a very strong alloy.

The fascination and versatility of lithium and its compounds are linked to the position of lithium in the periodic table of elements. Due to its high reactivity it is not found in nature. Traces of this element are present in all minerals, in brines, wells, clays and in sea water. Lithium is not considered to be very rare and ranks in 27th place as far as abundance is concerned. Modern daily life is hardly conceivable without the beneficial effects of lithium and its compounds.

LITHIUM USES

Today the application of lithium carbonate or other lithium-enriched materials as additives in the glass, enamel and ceramic industries has become very important. The addition of lithium oxide in glass manufacturing increases the melting rate which increases production throughput and lowers the melting temperature providing energy cost savings. For ceramics, lithium oxide's very low co-efficient of thermal expansion makes it ideal for heat-proof ovenware and ceramic cook tops to withstand the thermal shock of rapid temperature changes.

Ceramics and glass accounted for around 29% of lithium consumption in 2011. More importantly, the product is becoming a key requirement to meet the production of lithium-ion batteries in the rapidly expanding international hybrid and electric vehicle market. Batteries are the second largest end-use for lithium.

The third largest application for lithium is in the production of multi-purpose lubricating greases. Lubricating grease consists of mineral oil thickened with lithium. Greases accounted for 14% of total consumption in 2011.

Lithium is also used in pharmaceuticals, catalysts and other lithium compounds, air conditioning, welding electrodes, nucleonics, luminescent paints, varnishes and dyes, rubber production and aluminium production.

Lithium

WORLD OF LITHIUM

LITHIUM-ION BATTERIES

Lithium-ion batteries (sometimes abbreviated Li-ion or Li batteries) are a type of rechargeable battery in which lithium ions move from the negative electrode (anode) to the positive electrode (cathode) during discharge, and from the cathode to the anode when charged. Lithium-ion batteries are common in portable consumer electronics because of their high energy-to-weight ratios, lack of memory effect, and slow loss of charge when not in use. In addition to consumer electronics, lithium-ion batteries are increasingly used in defence, automotive, and aerospace applications due to their high energy density.

They're generally much lighter than other types of rechargeable batteries of the same size. The electrodes of a lithium-ion battery are made of lightweight lithium and carbon. Lithium is also a highly reactive element, meaning that a lot of energy can be stored in its atomic bonds. This translates into a very high energy density for lithium-ion batteries.

As the technology for lithium batteries has developed and improved, its use has expanded from non-rechargable batteries for small toys, watches, and cameras to rechargeable versions that have supplanted nickel metal hydride making laptops and cellphones lighter and run longer. Galaxy expects the next major area of use for lithium rechargeable batteries to be electric bicycles and scooters (e-bikes), automotive starter batteries, mass energy storage batteries and electric vehicle industry.

LITHIUM SUPPLY

During 2011, lithium supply was adversely affected by weather events at lithium brine producing areas in Argentina and China. Cold weather and subsequent snow interrupted lithium carbonate supply from a major Argentinean producer, which resulted in more exports from China. In addition, higher rainfall also resulted in major interruption of supply from brine producers in China. To compensate for the supply shortage, Chinese lithium carbonate converters increased output, which was evident in record imports of spodumene into China. These events demonstrate the vulnerability of lithium supply from brine operations due to adverse weather conditions. SignumBox expects lithium consumption to increase by 15-20% in 2012. Galaxy believes that limited capacity is expected to come online in the next few years, which gives the Company an excellent window of opportunity to establish a sustainable market for its products.

Jiangsu Lithium Carbonate Plant Control Centre

Galaxy's 'people culture' is the key to establishing a successful business

Lithium

LITHIUM DEMAND

Since the recent global financial crisis, demand for lithium minerals and chemicals has grown steadily at 10% to 15% pa.

According to SignumBox, in 2011 the estimated global demand for lithium was 130,000 tonnes of lithium carbonate equivalent (LCE), approximately 10% above the previous year. The firm expects lithium consumption to increase by 15-20% in 2012.

The primary growth in demand was in lithium batteries, glass and ceramics segments. Within the lithium battery sector, growth areas were in batteries for laptops, mobile phones, personal digital assistants (PDAs) like iPads and other types of e-book readers. The use of lithium batteries in electric cars is still at the nascent stage with Nissan's iLeaf, Mitsubishi's iMieV electric vehicles (EV) and GM's Chevy Volt (hybrid) all launched in 2011. Demand for lithium in the EV segment is forecast to grow exponentially from 2014 onwards as all major global car manufacturers launch new models to secure EV market share.

The subsidies provided by some governments, including various legislations on fuel emissions, to promote less reliance on fossil fuels and a cleaner environment, will encourage consumers to gradually move into hybrid/plug-in hybrid or EVs. Galaxy's Jiangsu Lithium Carbonate Project, to be commissioned in early 2012, will be well placed to meet this growing demand.

China was the world's largest global consumer of lithium products in 2011, its consumption estimated at 50,000 tonnes of LCE. It is also one of the largest producers of lithium cathode materials for use in lithium-ion batteries. Out of approximately 35,000 tonnes of various types of lithium cathode materials produced in 2011, around 14,000 tonnes was battery grade lithium carbonate. Additionally, approx 20,000 tpa of new installed capacity of lithium cathode materials and expansion plans are anticipated.

Galaxy anticipates that high purity grades like battery-grade, EV® and EV Plus® grades produced at Jiangsu, will increase in demand as lithium battery makers impose stringent quality requirements in order to supply high quality lithium batteries that are longer lasting and safer.

China's 12th 5 Year Plan targets 5 million EVs by 2020 and 50% ownership of EVs and hybrids by 2030. Galaxy's Lithium Carbonate Plant in China's Jiangsu Province, with a capacity of 17,000 tpa, will be the largest known project globally to manufacture and supply high purity EV Grade (99.9%) lithium carbonate.

The electric bike (e-bike) segment also continued to show growth in 2011. Approximately 29-30 million e-bikes were produced over the year, with approximately 135 million estimated on China's roads already. A growing level of e-bikes is being built with lightweight lithium-ion batteries, replacing traditional lead-acid batteries.

Purification Plant at Jiangsu

Lithium

LITHIUM DEMAND

The lead battery sector in China has been impacted by environmental regulations and a widespread crackdown on lead acid battery plants across the country following multiple instances of lead poisoning. Simultaneously, China's Government has been actively promoting lithium-ion batteries and alternative battery technologies, which has increased the market share of lithium-ion powered e-bikes.

The Chinese Bicycle Association forecasts that lithium battery operated e-bikes will increase market share from 2.5% to 20% by 2015. This translates to approx 6 million e-bikes with lithium batteries.

In addition to the transport sector, the energy storage segment is forecast to become another large consumer of lithium batteries in the next five years. Germany and Japan plan to introduce into the domestic market solar power generating units with lithium batteries to store the energy. Also, large scale renewable energy projects are planned, with China targeting 20% of its energy to be produced by 2020 utilising renewable sources like wind and solar.

In summary, demand for lithium related products is forecast to remain strong and grow at double digit rates in these sectors in the medium to long term period.

OUTLOOK FOR LITHIUM PRICES

During the year, as per Industrial Minerals' (IM) price watch, lithium carbonate and lithium hydroxide prices edged up slightly, but more price increases are expected in 2012. Lithium majors, FMC and Chemetall, announced price increases of up to 20 percent for their lithium products. The price increase included lithium carbonate, lithium hydroxide, lithium chloride, and lithium metal battery grade, effective from July 2011. IM's December 2011 publication revealed the price of lithium carbonate edged up to between \$5 to \$6.5/kg (large contracts: USA), while lithium hydroxide widened its range to between \$6 to \$7/kg.

“The trend is definitely towards price increases, especially in this last quarter,” reported Industrial Minerals.

In addition, Australian spodumene supplier, Talison, also announced a 15% price increase for supply of spodumene minerals in 2012. The reason for the price gains is bullish demand expectations, one market source explained. “There has been steady demand growth in 2011, while most of the major lithium producers are at or near production capacity,” the source said.

In 2012, Galaxy will be the only new entrant and with the largest capacity of high purity EV Grade® lithium carbonate. Galaxy's entry is well timed considering tight supply and demand conditions.

Chairman

CHAIRMAN'S LETTER

Dear Fellow Shareholders,

As Chairman of Galaxy Resources Limited, it is with great pleasure that I present the Company's Annual Report for 2011.

As a company, Galaxy has maintained strength, success, and a developmental path that secured a place in the S&P/ASX 300 Index since 2010, despite 2011's turbulent market conditions.

The last twelve months has seen Galaxy achieve several key milestones. Mt Cattlin became fully operational, shipments of spodumene to China commenced, the Company successfully acquired 20% of the James Bay Pegmatite Project in Quebec, and the Jiangsu Lithium Carbonate Plant in China was mechanically completed.

Galaxy has now completed two major projects in three years and has successfully value-added to its existing portfolio, which is an outstanding achievement for any company.

Significantly, Galaxy has achieved an excellent safety record, with no lost time injuries recorded during that time.

In 2009, Galaxy had 3 employees. Today, its workforce has grown to around 285 full time staff, operating across three continents.

The commissioning of the Jiangsu Plant marked a major step toward Galaxy achieving its vision of becoming a vertically-integrated lithium resource, chemical and battery company.

The Jiangsu Plant will be the first fully-automated lithium carbonate plant in China. Galaxy will become the largest battery grade lithium carbonate producer in the Asia Pacific and market leader in 'EV Grade' (99.9% purity) lithium carbonate production.

Galaxy also advanced plans for the development of a Lithium-ion Battery Project. Some key partnership deals were signed and initial offtake agreements reached. However, a final investment decision on this particular project still rests with the Board, and the Company will update the market on this in due course.

I'd like to take this opportunity to acknowledge the leadership of Managing Director Iggy Tan and his senior management team, whose leadership and guidance kept Galaxy on a steady path amid the challenging market conditions that characterised 2011. Mr Tan has managed in exemplary fashion a Company that now encompasses Australia, China and Canada.

On behalf of the Galaxy Board, I wish to thank all senior management, staff and contractors for another outstanding year. The Company takes pride in its unique 'people culture' which encourages open dialogue and work flexibility, but which also insists on first-rate performance from employees.

The commitment and endeavour of the Galaxy team is reflected in the achievements and results of the Company.

I would also like to thank shareholders for their continued support during the year and look forward to 2012 with much anticipation.

Yours sincerely,

Craig Readhead
Chairman
Galaxy Resources Limited

Jiangsu Lithium Carbonate Plant - Opening Ceremony - March 2012, China

Operations

MANAGING DIRECTOR'S REPORT

It is with great pleasure that I present the Review of Operations for the Company's Annual Report for 2011. I wish to thank the Board, senior management, staff and contractors for what has been a year of significant achievement for Galaxy. We have developed a unique 'people culture' at Galaxy that facilitates open communication, transparency, engagement, flexibility and performance. I am proud to report that we have completed two major projects in three years and, in the process, achieved an excellent safety record, without recording a single lost time injury for that period of time.

This cannot be achieved without the fantastic people and teamwork culture we have at Galaxy.

Yours sincerely,

Iggy Tan
Managing Director

CORPORATE

Galaxy is achieving regular milestones in its journey to becoming a vertically integrated lithium company, involved in raw product lithium production, through to chemical processing and lithium-ion battery manufacturing.

A$120 MILLION PLACEMENT FINALISED

In April 2011, Galaxy finalised a A$120 million capital raising via an equity placement. The raising was completed with sophisticated and institutional investor clients of Azure Capital, Morgan Stanley and Helmsec Global Capital (Joint Lead Managers). The funds were used for working capital, ramp up of Mt Cattlin, and for the completion of the Jiangsu Lithium Carbonate Plant.

HONG KONG IPO POSTPONEMENT

The Company announced a postponement of its proposed initial public offering (IPO) in Hong Kong until further notice, due to unfavourable financial market conditions relating to the North African unrest and the earthquake in Japan. Galaxy had planned a dual listing on the Stock Exchange of Hong Kong (SEHK) at the end of March 2011. The Company was disappointed to have had to delay its Hong Kong IPO, but considered it a prudent decision in light of the aforementioned international events and related market volatility. A Hong Kong listing remains under consideration by the Company.

Mt Cattlin Operations, Western Australia

Operations

RESOURCES DIVISION

MT CATTLIN SPODUMENE OPERATIONS

Production at Mt Cattlin continued its ramp up progress producing 63,685 tonnes of spodumene during 2011. Mt Cattlin has proved to be a reliable source of spodumene concentrate feed for the Company's Jiangsu Lithium Carbonate Plant in China.

SAFETY AND ENVIRONMENT

Safety performance continues to be excellent with no lost time injuries recorded at Mt Cattlin during the year. Galaxy continued to place an emphasis on maintaining stringent environmental standards. Consultants HSE Australia conducted regular dust and noise sampling to fulfil CONTAM (DMP) requirements. Galaxy Lithium Australia Ltd registered with the Department of Climate Change and Energy Efficiency for compliance with the National Greenhouse and Energy Reporting (NGER) Act, and the Department of Sustainability, Environment, Water, Population and Communities for the National Pollutant Inventory.

Galaxy also continued its focus on water and environmental noise monitoring and measuring, which ensured compliance to licence conditions. The use of dust suppression products (additives) commenced on the Haul Roads and Tails Storage Facility (TSF) to suppress dust and minimise water usage.

SOCIAL

With a preference for residential employment, Mt Cattlin has provided a social and economic boost to the town of Ravensthorpe and the surrounding region. Mt Cattlin enjoys a positive working relationship with local businesses and organisations in Ravensthorpe and the region. Galaxy continued to provide significant financial contributions and support to the local community. Mt Cattlin also hosted numerous site tours and mine visits during the year. A highlight was the annual “Mt Cattlin Open Day” in November 2011, which was extremely well received by the community. Regular updates and feedback through a regular community group session has resulted in further support for Mt Cattlin from local organisations, businesses and the wider community.

STAFF

Galaxy employed approximately 100 personnel at Mt Cattlin in 2011. There was minimal turnover of staff and the internal promotion of operators to supervisors has made way for the employment of very well qualified personnel to complete the process plant crew. Principal open pit mining contractor, Orionstone, employed approximately 40 people during the year and was responsible for the overall management of the mining contract, as well as providing load and haul services for the operation. Total Drilling Services employed approximately 15 people and continued to perform well, displaying high standards of operation and professionalism.

Operations

RESOURCES DIVISION

SGS Laboratory Services (SGS) has provided a cooperative and consistent service throughout the year, in addition to expanding its capability to accommodate for the analysis of additional grade control samples. A number of local contractors also provided services to the mine.

Mining operations at Mt Cattlin continued during the year with the total ore movement of 0.62 million tonnes. Total waste movement was 1.97 million BCMs.

A large portion of the ore body has now been exposed in the initial 5 year open pit (5 year pit). The wide, 30 metre thick, flat lying ore zone has provided added flexibility for the operation, in terms of abundant ore supply for the processing plant. In addition, an intensive grade control drilling program provided further information relating to the ore body, enabling detailed mine planning and scheduling for the next 5 years, and into the future.

Work is well underway for the phase 2 project, which will provide up to 15 years plus mine life, at the current planned production throughput rate.

The earthmoving fleet consisted of two Hitachi EX1200 excavators, seven 777D Caterpillar dump trucks, Caterpillar D10N Bulldozer, Caterpillar 14M Grader, Caterpillar 988H Loader and other ancillary equipment. Drilling and blasting is conducted in a professional manner and takes into consideration the close proximity of Mt Cattlin to the town of Ravensthorpe, adopting high QA/QC standards. Drill and blast equipment consists of four Tamrock CHA1100 drills, Stemming Loader and Blast Vehicle plus ancillary equipment.

At Mt Cattlin, pegmatite ore is processed through a dry and wet crushing circuit, followed by gravity concentration to remove tantalum (Ta_2O_5) and a dense media process to remove the lithium (Li_2O - spodumene crystals).

The processing plant continued to ramp up production over the year with a number of improvements made. The crushing circuit performed to meet budgeted plant feed requirements.

A number of changes are in progress to enable the plant to perform more efficiently to address variability in ore characteristics. The heavy media circuit ramp up continued and improved during the year. Continued efforts are being directed to mica removal and fine tuning the DMS plant efficiency and recovery.

Operations

RESOURCES DIVISION

During the year, three consignments of spodumene product were transported to Bunbury WA for storage and handling. Ship loading through the Port of Bunbury was completed successfully and safely. The preferred Esperance Port shipping option was vigorously pursued during the year, with negotiations continuing with key stakeholders and regulatory authorities. Negotiations for alternative storage and handling options have progressed well with relevant stakeholders.

Mt Cattlin Production Statistics	2011
Ore Mined (Tonnes)	616,714
Grade (Li_2O%)	1.11
Waste Mined (BCM)	1,975,188
Ore Treated (Tonnes)	628,779
Grade (Li_2O%)	1.19
Spodumene Produced (dry tonnes)	63,863
Grade (%)	6.18

During the year, 464 tonnes of tantalum concentrate @ 3.3% contained Ta_2O_5 was produced and 234 tonnes containing 15,117 lbs Ta_2O_5 was sold to Global Advanced Metals (GAM) under a long term agreement with Galaxy. Galaxy will make improvements to its tantalum concentrate quality control, bagging, handling and storage during 2012-13.

Test work commenced to extract mica, a potential value-add product to Galaxy's operations. Subsequent to the period, a quality mica sample was shipped to a potential international customer for testing. Preliminary equipment design was commenced to achieve both the reduction of mica content in the final spodumene product and to produce a saleable mica by-product.

MT CATTLIN RESOURCE UPGRADE

In March 2011, the Company announced that it had lifted the total contained pre-mining lithium oxide (Li_2O) resource at its wholly-owned Mt Cattlin mine by 14% to 197,000 tonnes from its previous resource estimate, issued January 2010.

Drilling, modelling and evaluation boosted both resources and reserves at Mt Cattlin. Total resource tonnes increased by 14.6%, or 2.31 million tonnes from the previous estimate (prior to allowing for mining depletion), while the measured and indicated mineral resource was up 12%, or 1.50 million tonnes, to 13.8 million tonnes.

Operations

RESOURCES DIVISION

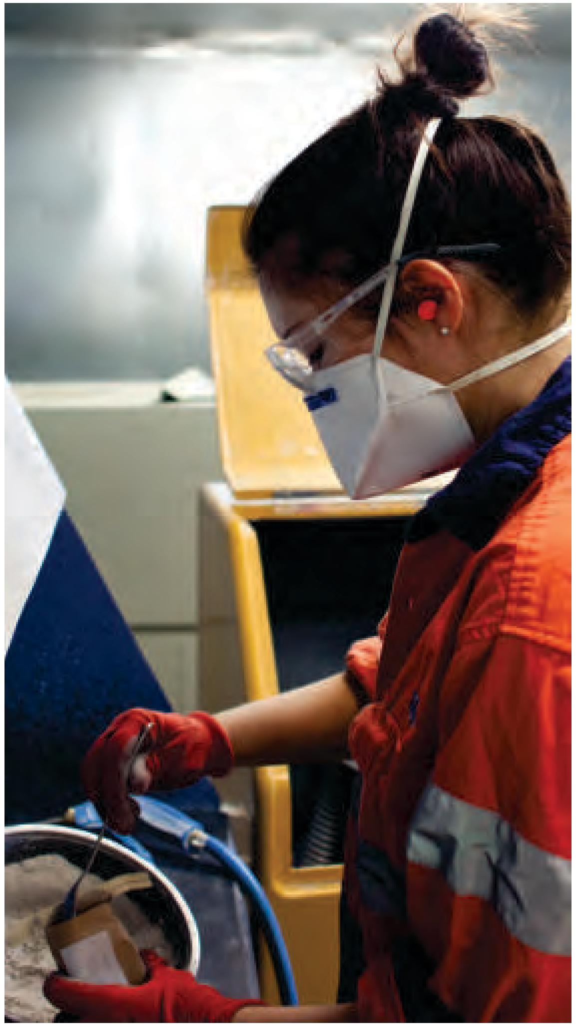


Table 1: Mt Cattlin Global Resource Estimate Feb-Mar 2011

Resource	Tonnes	Li_2O%	Ta_2O_5 ppm
Measured	2,900,000	1.19	147
Indicated	9,906,000	1.06	168
Inferred	4,350,000	1.07	132
TOTAL	17,155,000	1.09	155

Note: Li_2O cutoff grade >= 0.4% Li_2O. Depleted mining surface to end-Dec 2011.
Figures in the above table may not sum due to rounding.
Significant figures do not imply an added level of precision.

Table 2: Mt Cattlin Reserve Estimate Dec 2011

Reserve	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

Note: Li_2O cutoff grade >= 0.4% Li_2O. Based on the final limits pit design.
Ore recovery of 95% and dilution of 10% assumed. Depleted mining surface to end-Dec 2011.
Figures in the above table may not sum due to rounding.

RESERVES AND RESOURCES

The March 2011 estimate of contained mineral resources for the Mt Cattlin deposit depleted by mining to the end of December 2011 is 186,000 tonnes of lithium oxide (Li_2O) and 5.88 million pounds of tantalum pentoxide (Ta_2O_5) above a cut off grade of 0.4% lithium oxide. The classification of the Mt Cattlin mineral resource is reported in Table 1 above in accordance with the JORC Code and Guidelines. Table 2 shows the Mt Cattlin Reserve estimate, which was updated in December 2011, using the March 2011 resource model. Details of the reserve estimation methodology and parameters were reported by Galaxy on 11 September 2009.

The information in this report that relates to Mineral Resources and Exploration Results is based on information compiled by Mr Robert Spiers who is a full time employee of Hellman and Schofield 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 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 'Australasian 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 their information in the form and context in which it appears.The information in this report that relates to Mineral Ore Resources is based on information compiled by Mr Roselt Croeser who is a full time employee of 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 'Australasian 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.

Ravensthorpe Kindergarten
visit to Mt Cattlin, January 2012

Operations

RESOURCES DIVISION

JAMES BAY SPODUMENE PROJECT QUEBEC, CANADA

Galaxy signed a Memorandum of Understanding (“MOU”) with Canada's Lithium One Inc. (TSX-V LI) to acquire up to 70% of the James Bay project as part of a farm-in arrangement. Under the agreement, Galaxy acquired an initial 20% equity interest in James Bay for C$3 million and had the potential to earn 70% through the funding and completion of a Definitive Feasibility Study (DFS) within a 24 month period.

The James Bay project is an extensive, high-grade spodumene pegmatite deposit that occurs at surface. The project has potential to significantly add to Galaxy's already considerable resource base and lithium supply. The James Bay project will incorporate a mine, processing plant and battery-grade lithium carbonate plant.

Galaxy appointed Montreal-based engineering services consultancy Genivar Inc. to manage the DFS. Genivar is one of Canada's largest engineering services firms and has extensive experience in the James Bay area.

Galaxy's lithium project development expertise would enable Galaxy to accelerate the development of the James Bay project. The Company has a desire to extend its lithium resource base and James Bay's location, geology and the low cost of entry were the key attractive aspects of the farm-in agreement with Lithium One. The Company expects to be able to fast track the development of James Bay by using similar capacity and design as the plants constructed at Mt Cattlin and Jiangsu.

Galaxy has engaged mining engineering firm DRA Americas Inc. to work on the James Bay processing plant design component of the DFS. Galaxy said the design of the James Bay plant's crushing and heavy media separation concentrator would be modelled on Galaxy's Mt Cattlin plant in Western Australia and expected the plant to process 1,000,000 tonnes of ore per annum.

James Bay Project - Channelling in Freezing Conditions, Canada

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 Li2O 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.

The information in this report that relates to Mineral Resources 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 'Australasian 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 in which it appears.

Operations

RESOURCES DIVISION

SHOEMAKER WESTERN AUSTRALIA

Shoemaker is an iron ore and manganese exploration project approximately 830 kilometres northeast of Perth, Western Australia. The project is a joint venture between Galaxy Resources and General Mining Corporation Ltd (GMC). During the year, GMC earned an 80% interest in the project, and Galaxy retained its remaining 20% interest.

A first stage RC drilling program was completed in the year. 30 holes totalling about 2,750 line metres were drilled as planned. Assay results of this program suggest the high-grade iron ore and manganese mineralisation is probably limited by the depth of the surface enrichment. However, GMC believes the results show further iron ore and manganese exploration is warranted, in particular, targeting the bedded and taconite styles of iron ore mineralisation potentially linked to some large geophysical anomalies that still remain to be explored (GMC Quarterly 28 October 2011).

PONTON RARE EARTHS PROJECT WESTERN AUSTRALIA

The Company submitted Environmental and Geological Reports to the WA Government's Department of Mines and Petroleum (DMP) as part of the application process for the grant of the Ponton Rare Earth Project (Ponton Project) tenement.

Galaxy wholly owns the Ponton Project, which is located 200km east of Kalgoorlie in the eastern Goldfields region of Western Australia and comprises a single Exploration Licence Application (E28/1317) covering 206 km2. The Environmental Report was compiled by consultants Keith Lindbeck and Associates and reflects similar environmental management programs undertaken by Galaxy in the Fitzgerald River Biosphere Reserve south of Ravensthorpe. The Report addressed environmental management practices in sensitive areas due to the Ponton Project ELA being situated on a Class A nature reserve.

The Company is continuing its discussions with the WA Government for the grant of the Ponton Project tenement.

Jiangsu Lithium Carbonate Plant, China

Chemicals

CHEMICALS DIVISION

Jiangsu Lithium Carbonate Plant

- Galaxy owns 100% of the Jiangsu Lithium Carbonate Plant
- Jiangsu will be one of the world's most advanced lithium carbonate plants
- Galaxy will produce high grade lithium carbonate for the lithium-ion battery industry
- Jiangsu Plant located in the Zhangjiagang Free Trade Zone, Jiangsu province, China
- First fully-automated process control operation in China
- Lithium concentrate from Galaxy's Mt Cattlin mine in Western Australia to be used as feedstock for lithium carbonate production at Jiangsu
- Galaxy is first Australian resources company in Zhangjiagang Free Trade Zone
- Excellent access to utilities and close proximity to the Yangtze River, Zhangjiagang Port
- Close proximity to key reagent suppliers including sulphuric acid, soda ash, caustic soda

SAFETY AND ENVIRONMENT

Galaxy continued its excellent safety record at the Jiangsu Lithium Carbonate Project site. Approximately 2 million man-hours (Galaxy employees and contractors) were recorded over 2011 with no Lost Time Injuries (LTIs) recorded.

The Jiangsu Plant operates in an industrial park with one of the strictest environmental and safety standards in China, comparable to Australian standards. The plant is designed to meet the highest safety and environment standards.

During Q1, 2012 the site achieved all the necessary safety and environmental approvals from the local Zhangjiagang Free Trade Zone authorities to enable the temporary production operating licence to be granted.

CONSTRUCTION

In early December 2011, Galaxy announced it had achieved mechanical completion of the Jiangsu Lithium Carbonate Project, a month ahead of the revised schedule. The majority of the construction workforce and the Hatch EPCM personnel were demobilised following that announcement. In addition to closing the punch list, Galaxy commenced cold commissioning, which was successfully completed subsequent to the period. Cold commissioning involved checking and ensuring the integrity of plant, equipment, electrical, instrumental and control systems.

In mid-February 2012, Galaxy announced commissioning activities were progressing according to schedule, and major defect issues have been identified. The plant moved into the 'hot commissioning' phase, which is the final stage prior to start-up and first production and involves the introduction of process materials and testing of major areas of the plant under partial or full load.

Chemicals

CHEMICALS DIVISION

The kilns and coolers in Area 20 were also operational. The calciner kiln was fired at the end of January 2012 and was in the final stages of the refractory dry-out and curing phase. The sulphation kiln was also successfully fired and the refractory brickwork dry-out was completed.

The Jiangsu site's utilities - such as process water, plant air, steam and natural gas – were fully established and operational. In addition, the leach area has also been successfully tested, with process water being pumped throughout the plant.

Galaxy was able to hot commission the lithium carbonate production area and purification plant ahead of schedule. This included centrifuge dewatering, drying, micronising and packaging. Galaxy had tested this area, where purchased product had been successfully digested, crystallized, micronised and processed through to final bagging.

This part of the plant will be operated on a continuous basis until the rest of the plant is ready to process material. Similarly, the ore unloading and storage area has been fully commissioned.

Marketing

MARKETING DIVISION

OFFTAKE FRAMEWORK AGREEMENTS

The Company completed agreements in 2010 with 13 major Chinese lithium cathode makers and with Mitsubishi Corperation of Japan for 100% of the Jiangsu Lithium Carbonate Plant's capacity. As the plant is moving into production, the Company is preparing for product qualification, sales and distribution of the final lithium carbonate product. There continues to be strong interest from buyers in other regions like South Korea and Europe.

PRODUCT QUALITY

Galaxy will be producing the highest grade lithium carbonate suitable for the battery industry. The processes employed at the Jiangsu Plant utilise both standard process as well as ion exchange and purification technology, which produces a low impurity product. The sodium, magnesium and sulphate levels should be very low which is favored in cathode production. Galaxy will have the capacity to produce 4 different purity grades of lithium carbonate - 99.0%, 99.5%, 99.9% and 99.99%.

PRODUCT DISTRIBUTION SYSTEM

The Company has established satellite product warehouses in Tianjin (North China) and Changsha (South China). Together with the Jiangsu Plant, these distribution centres are close to the battery production areas along the east coast of China. The benefit to the customer is that product orders can be filled and delivered to their factory very quickly without a lengthy wait. This efficient service means that customers can operate at much lower raw material supply inventories saving their factory unnecessary costs.

Product transfers to these warehouses will be by ship and deliveries to customers from these warehouses will be by road transport. Galaxy has partnered with Sino Trans for the establishment of the distribution network and warehousing system. The Company is also preparing for shipment to Japan through its offtake partner, Mitsubishi Corperation of Japan.

Marketing

MARKETING DIVISION

STATE-OF-THE-ART PACKAGING

Hot commissioning of the microniser and packaging plants was completed with target particle size achieved. The fully-automated packaging plant which packages each 25 kilograms of product is working well. Bags are automatically placed on spout, filled, weighed, with discharge in less than 30 seconds. The packed bags with very tight weight tolerances are stacked on a pallet by a state-of-the-art robot and the completed pallet wrapped automatically. Galaxy's product packaging will be amongst the best in the world.

PRODUCT QUALITY TRACKING SYSTEM

Galaxy is in the process of establishing a product quality tracking system that will revolutionize China's lithium carbonate industry. Many suppliers use a composite sample to represent large production batches. However, quality variations with the large production batches can be very important to customer formulations. At Galaxy, customers will benefit from every pallet being individually sampled and analyzed. With the bar code pallet lot number, the analysis of the product can be easily accessed from the Galaxy website quality tracking system anywhere around the world. Customers will benefit from the state-of-the-art quality system the Company is establishing.

FREE TESTING SERVICE

Customers also have the benefit of using Galaxy's free testing service to check the accuracy and consistency of its test results. Galaxy customers have the option to provide unmarked samples of product to Galaxy for re-testing. The results will be emailed back to our customer and they can make comparisons with the original results provided. Since the samples remain unknown to Galaxy, this process functions as a blind test. Since Galaxy tests to Australian and Chinese standards and regularly cross-checks against other lithium carbonate industry laboratories, product results are very accurate.

BAG DESIGN

Galaxy packaging will consist of 25 kilogram plastic lined paper bags that keep the moisture out. All pallets are shrink-wrapped with a plastic top sheet to provide extra protection. Bags are clearly marked with individual numeric bar code for quality tracking.

Battery Division

BATTERY DIVISION

Galaxy's Battery Division is advancing plans to build a Lithium-Ion Battery Plant in Jiangsu, near to the existing Lithium Carbonate facility.

Proposed production is 620,000 battery packs per year for the e-bike market. Lithium-ion batteries have superior energy density, are more efficient and environmentally friendly than traditional acid batteries. Originally used in computing and mobile communications, lithium-ion batteries are being increasingly used in electric bicycles (e-bikes), vehicles, and mass energy storage systems.

Galaxy will particularly target the e-bike market in China. China currently produces 30 million e-bikes a year, with approximately 135 million estimated on China's roads already. A growing level of e-bikes is being built with lightweight lithium-ion batteries, replacing traditional lead-acid batteries.

The lead battery sector has been impacted by environmental regulations and a widespread crackdown on lead acid battery plants across the country following multiple instances of lead poisoning. Simultaneously, China's Government has been actively promoting lithium-ion batteries and alternative battery technologies, which has increased the market share of lithium-ion powered e-bikes.

The lithium powered battery pack export market from China is also growing in excess of 10% per annum, further driving demand for high quality lithium-ion battery packs in China.

Manufacturers and suppliers of e-bikes in China are reporting a significant shortage of quality lithium-ion battery packs. China has many labour intensive small and medium-sized battery plants, but high defect rates and inconsistencies continue to cause quality issues. Domestic producers have also found it difficult to compete with the high quality Japanese and Korean lithium-ion battery production.

Galaxy's strategy is to supply high end quality lithium battery packs to e-bike producers in China using fully-automated manufacturing processes, highly innovative technology and access to key raw materials, utilities, port facility and Galaxy's marketing synergies.

The Lithium-Ion Battery Project represents a compelling investment opportunity that has the potential to establish Galaxy as one of the world's first integrated lithium resource, chemical and battery companies.

With Galaxy's presence in China through its Jiangsu Lithium Carbonate Plant, the e-bike battery market represents the best entry point to execute its strategy and capture the significant cost and marketing synergies available.

Battery Division

PROJECT DEVELOPMENT

TURN-KEY PLANT SUPPLIER KOBET CONSORTIUM, KOREA

Galaxy selected a reputable turnkey plant supplier for manufacturing its e-bike lithium-ion battery packs. The plant is highly automated and utilises proven Korean technology employed by LG Chem and Samsung over the past ten years.

BATTERY TECHNOLOGY PROVIDER K2 ENERGY SOLUTIONS INC, USA

In 2011, Galaxy signed a technology license agreement with the well established US-based lithium-ion battery producer K2 Energy Solutions Inc. Under the agreement, K2 Energy will provide Galaxy with battery technology expertise, licensing and commercial support for the construction and operation of Galaxy's proposed Jiangsu Lithium-Ion Battery Plant in China. Galaxy will have unrestricted and unlimited use of specific K2 Energy lithium battery technologies, valuable for the e-bike and other battery markets. This allows Galaxy to leap-frog R&D and guarantees supply of high quality batteries.
Galaxy possesses key intellectual property / patents for high performance lithium iron phosphate batteries (LFP). K2 Energy also has significant experience in the pre-operational stage of battery manufacturing, in particular providing technology and licensing support to European Batteries Oy's lithium battery manufacturing facility in Varkaus, Finland.

EPCM CONTRACTOR (M+W GROUP)

M+W Group, an internationally renowned EPCM contractor from Germany with an office in Shanghai, has completed the conceptual building design and plant lay out for the Lithium-ion Battery Project.

PROJECT FINANCIALS

Item	Description
Production	620K packs/annum
Total Capital Costs	US$142.6 million
Average Net Cash Flow	US$67.8 million/annum
Net Present Value (10% Discount)	US$364.9 million
Internal Rate of Return	43%
Payback Period	2.5 years
Average Operating Cost (Pack/KWh)	US$122/pack [equivalent US$340/KWh]
Average Revenue (Pack/KWh)	US$201/pack [equivalent US$560/KWh] ~yielding 40% margin

Galaxy said the Jiangsu Lithium Carbonate Plant remained its priority and it would not make a decision regarding the Battery Project until the Jiangsu Plant was completed and commissioned. However, it said detailed design work for the Battery Project was important preparation and continued the focus on Galaxy's project pipeline.

LOCATION AT ZHANGJIAGANG JIANGSU PROVINCE, PRC

Galaxy's Lithium-Ion Battery Project would be built within the Jiangsu Eco-friendly New Materials Industrial Park, Zhangjiagang, Jiangsu Province, close to the Company's Jiangsu Lithium Carbonate Plant. Zhangjiagang is a rapidly growing industrial port city located in the centre of the Yangtze River delta, 80 km north west of the key central coastal city of Shanghai. The Yangtze is the largest river in China and the backbone of the Chinese economy. In 2011, Galaxy signed an MOU for the land upon which to build the site and commenced the regulatory approval process:

- EIAR (Environmental Impact Assessment Report) Approved in January 2012 (subsequent to period)
- SIAR (Safety Impact Assessment Report) Preliminary Report was approved and a final approval expected in early 2012
- PAR (Project Approval Report) is prepared and to be submitted after approvals of the above two reports. (subsequent to period)


Jiangsu Lithium Carbonate Plant-Official Opening, 7 March 2012
江苏碳酸锂工厂 - 开业典礼 2012 年 3 月 7 日

DIRECTORS' REPORT

Your Directors submit their report for the year ended 31 December 2011 for Galaxy Resources Limited ("Company" or "Galaxy") and the consolidated entity incorporating the entities that it controlled during the financial year ("Consolidated Entity").

DIRECTORS

The names and details of the Company's Directors in office during the financial period and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

Names, Qualifications, Independence Status, Special Responsibilities and Other Directorships

Craig Leslie Readhead B Juris, LLB, FAICD (Chairman, Non-Independent Non-Executive Director)

Mr Readhead joined the Company on April 27, 1999 and has been a Director and the Chairman of the Board of the Company since then. He has more than 30 years' experience in the mining industry. Mr Readhead acts as a Director of a number of ASX listed companies.

Mr Readhead received Bachelor of Jurisprudence and Bachelor of Laws from University of Western Australia in 1976 and 1977 respectively. He is a barrister and solicitor and was admitted to the Supreme Court of Western Australia in 1977. He is a Fellow of the Australian Institute of Company Directors (FAICD). He was the President of Australian Mining and Petroleum Law Association Ltd.

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

Directors Interests: **3,805,556 fully paid ordinary shares and 3,250,000 options.**

Current Directorships: **Frankland River Olive Company Limited, General Mining Corporation Ltd,Heron Resources Ltd, India Resources Ltd and Beadell Resources Ltd.**

Past Directorships (last 3 years): **Mt. Gibson Iron Ltd.**

Ignatius (Iggy) Kim-Seng Tan BSc, MBA, GAICD (Managing Director)

Mr Tan is an experienced operations executive with over 25 years' experience in the mining and chemical industry. He has a proven background in both marketing and business development. Mr Tan is highly experienced in the general management of operations as well as commissioning and start up of projects. He joined the Company on September 18, 2008 and has been a Director since then. He was appointed as the Managing Director on November 11, 2008, and is in charge of the overall development of the Company's business from mining through to processing and marketing.

Prior to joining the Company, Mr Tan was the Managing Director of Nickelore Ltd, an ASX-listed nickel company, between July 12, 2007 and September 30, 2009. Mr Tan received his Bachelor of Science from University of Western Australia in 1984, his Master of Business Administration from the University of Southern Cross in 1999, and his Graduate Diploma from the Australian Institute of Company Directors in 2010.

Special Responsibilities: **Nil.**

Directors Interests: **69,000 fully paid ordinary shares and 10,500,000 options.**

Current Directorships: **Nil.**

Past Directorships (last 3 years): **Nil.**

Anthony Peter Tse (Executive Director)

Mr Tse has been an Executive Director since October 13, 2010 with responsibilities to manage the Company's office in Hong Kong, compliance matters, investor and public relations. He was previously chief executive officer, from August 2008 to July 2010, and director, from January 2009 to July 2010, of CSN Corporation, a home shopping television channel in the PRC. Prior to this, he worked for TOM Group from 2000 to 2008 and served in various positions, including president of China Entertainment Television Broadcast Ltd, director of corporate development of the TOM Group and deputy general manager of online operations.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS (CONTINUED)

Mr Tse is a former board director and member of the Council of Governors for The Cable & Satellite Broadcasting Association of Asia. He was a member of Digital Information & Telecommunications Committee for the Hong Kong General Chamber of Commerce. He is an advisory board member for Music Matters, a leading music and entertainment industry event in Asia.

Special Responsibilities: Nil.
Directors Interests: Nil fully paid ordinary shares and 1,000,000 options.
Current Directorships: Nil.
Past Directorships (last 3 years): Nil.

Charles Bernard Francis Whitfield BEc, MBA (Executive Director)

Mr Whitfield has been an Executive Director since October 13, 2010 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 from June 5, 2006 to March 30, 2008. Prior to this, he worked for Deutsche Bank Group, where his last position was director of the Structured Equity Transaction Division, from October 1, 2000 to May 31, 2006.

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: 41,361 fully paid ordinary shares and 1,000,000 options.
Current Directorships: Nil.
Past Directorships (last 3 years): Nil.

Robert (Bob) James Wanless (Independent Non-Executive Director)

Mr Wanless has been a Director since January 15, 1996. He has negotiated numerous mining-related sale and joint venture agreements with several international and Australian mining companies involving gold, base metals and industrial mineral properties.

Mr Wanless is a prospector and mining investor with more than 14 years' experience in the mineral resources industry. He has been a director of General Mining Corporation Ltd, an ASX-listed mining resource company, since May 2007. He was a director of Greenstone Resources NL (now Red 5), an ASX-listed mining resource company, from September 1996 to November 1998.

Special Responsibilities: Member of Audit, Remuneration and Nomination and Risk Management Committees.
Directors Interests: 2,008,493 fully paid ordinary shares and 2,750,000 options.
Current Directorships: General Mining Corporation Ltd.
Past Directorships (last 3 years): Nil.

Yuewen Zheng BEc, MBA, PhD (Non-Independent Non-Executive Director)

Dr Zheng has been a Director since January 7, 2010. He has six years' experience in assuming managerial and advisory roles in the mineral resources industry. He was the chief executive officer of Creat Group from 1992 to 2002 and has been the chairman since 2002. Creat Group is the substantial interest holder of CRHL, a mining resources company listed on AIM. He has also been a non-executive chairman of CRHL since March 16, 2008 and has been the managing director and chief executive officer of CRHL since June 24, 2010.

Dr Zheng has been a director of Beijing Keruicheng Mining Investment Co Ltd and Beijing Keruicheng Jinchuan Mining Investment Co Ltd since 2006 and 2007 respectively. From November 16, 2000 to June 22, 2009, he was the chairman and an executive director of Yantai North Andre Juice Co., Ltd, which is listed on the Main Board of the Hong Kong Stock Exchange. Since June 16, 2004, Dr Zheng has also been chairman of Shanghai RAAS Blood Products Co., Ltd, a company listed on the Shenzen Stock Exchange specialising in the research, manufacture and sale of plasma derived medical products.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS (CONTINUED)

Dr Zheng received his Doctor of Philosophy in Finance from Dongbei University of Finance and Economics in the PRC in 1999 after receiving his Master of Business Administration from Asia International Open University (Macau) earlier that year and Bachelor of Economics from Jiangxi University of Finance & Economics in the PRC in 1985. He is the vice president of the Non-Governmental Science & Technology Entrepreneurs Association, and was the vice president of the All-China Federation of Industry & Commerce.

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

Directors Interests: 38,091,616 fully paid ordinary shares and 1,500,000 options.

Current Directorships: Creat Resources Holdings Limited.

Past Directorships (last 3 years): Nil.

Xiaojian Ren MBA (Non-Independent Non-Executive Director)

Mr Ren has seven years of experience in performing managerial and advisory roles in the mineral resources industry. He has been the chief executive officer of Creat Group since 2002 and has been a director of Creat Group since 1992. He has been a director of CRHL since 2008. Mr Ren has been a director of Beijing Keruicheng Mining Investment Co Ltd and Beijing Keruicheng Jinchuan Mining Investment Co Ltd since 2006 and 2007 respectively. He was a non-executive director of Yantai North Andre Juice Co., Ltd from November 16, 2000 to May 18, 2007. He has been a director of Shanghai RAAS Blood Products Co., Ltd since June 16, 2004. Mr Ren was appointed as Non-executive Director on October 13, 2010.

Mr Ren received his Master of Business Administration from La Trobe University in Australia in 2001.

Special Responsibilities: Nil.

Directors Interests: 38,091,616 fully paid ordinary shares and 1,000,000 options.

Current Directorships: Creat Resources Holdings Limited

Past Directorships (last 3 years): Nil.

Shaoqing Wu BE (Non-Independent Non-Executive Director)

Mr Wu was appointed as Non-executive Director on February 24, 2011. He has 17 years' experience in the steel raw materials trading and processing, overseas shipping and port logistics industries. Mr. Wu has been employed by Fengli Group since July 1993. He was a vice general manager of Jiangsu Yongheng Furnace Material Industrial Co., Ltd., a subsidiary of Fengli Group, from July 1993 to October 1997 and was responsible for the sales of raw steel scrap and boiler materials. He was vice general manager of Jiangsu Fengli International Trade Co., Ltd, a subsidiary of Fengli Group, from October 1997 to April 2004 and was responsible for the export and re-export of raw steel scrap and metal scrap.

Mr. Wu was then vice general manager of Fengli Group from April 2004 to January 2011 and was responsible for the international trade businesses and general management of VIP customers. Mr. Wu was appointed as the general manager of Fengli Group in January 2011 and is responsible for all the senior management and daily activities of Fengli Group.

Mr. Wu has been chairman of Good Credit International Trade Co., Ltd. since June 23, 2010. Mr. Wu received his Bachelor of Civil Engineering from Shazhou Vocational Institute of Technology in 1992.

Special Responsibilities: Nil.

Directors Interests: Nil fully paid ordinary shares and nil options.

Current Directorships: Nil.

Past Directorships (last 3 years): Nil.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS (CONTINUED)

Kai Cheong Kwan (Independent Non-Executive Director)

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 was appointed as Independent Non-executive Director on October 13, 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 Committee and Member of Remuneration and Nomination and Risk Management Committees.

Directors Interests: Nil fully paid ordinary shares and 1,000,000 options.

Current Directorships: JF Household Furnishings Ltd, China Properties Group Ltd, 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 Hutchison Telecommunications International Ltd.

David Michael (Mike) Spratt BSc (Hons). FAIMM, FAICD (Independent Non-Executive Director)

Mr Spratt was appointed as an Independent Non-executive Director on February 11, 2011. He has experience in the mining, mineral processing and smelting industries. Mr Spratt was appointed as a non-executive director of Kasbah Resources Ltd, an ASX-listed company with principal activities in tin and gold exploration in Morocco, in August 2010 and he took over as the chairman of the board of Kasbah Resources Ltd in December 2010. Before that, he was the managing director of Thailand Smelting and Refining Co., Ltd, a manufacturer of tin, tin alloys and tin-related products, from September 2003 to June 2010. Mr Spratt was also a director of Australian Silicon Limited (now Gold One International Limited), an ASX-listed gold mining company, from December 2001 to May 2003.

Mr Spratt's professional experience includes general management of large scale iron ore operations in the Pilbara region of Western Australia, general management of gold and base metal operations, and chief operating officer/regional vice president of two globally focused engineering and construction companies.

Mr Spratt received his Bachelor of Science in Metallurgy with first class honours from University of New South Wales in 1971. He is also a Life Member of the Stanford Business School Alumni Association. Mr Spratt is a Fellow of the Institute of Engineers, Australia and a Fellow of Australasian Institute of Mining and Metallurgy. Mr Spratt is also a Fellow of the Australian Institute of Company Directors.

Special Responsibilities: Member of the Audit, Risk Management and Remuneration and Nomination Committees.

Directors Interests: Nil fully paid ordinary shares and 1,000,000 options.

Current Directorships: Brockman Resources Limited and Kasbah Resources Ltd.

Past Directorships (last 3 years): Nil.

Ivo John Polovineo was a Non-executive Director of the Company from January 1, 2011 until September 2, 2011. Mr Zhimin (Richard) Shi was appointed as an Alternate Director for Mr Shaoqing Wu on 19 September 2011. Ms May Chen was appointed as an Alternate Director for Dr Yuewen Zheng on 2 December 2011.

DIRECTORS' REPORT (CONTINUED)

COMPANY SECRETARIES

Andrew Leslie Meloncelli BCom, CA, FCIS, F.Fin (Company Secretary)

Mr Meloncelli joined the Company on November 23, 2009 and has been the Company Secretary since then. He has more than ten years experience in the mining industry. He has over seven years' experience working as a company secretary for resources companies listed on AIM, ASX and TSX in the areas of corporate compliance / governance, finance, investor relations, prospectus fundraisings, systems implementation and taxation.

Mr Meloncelli received his Bachelor of Commerce Degree from the University of Western Australia in 1996. He is an Associate Member of the Institute of Chartered Accountants in Australia, a Fellow of Chartered Secretaries Australia, Taxation Institute of Australia and the Financial Services Institute of Australasia.

Mr Meloncelli also acts as a Director and Company Secretary for a number of wholly owned subsidiaries in the Group.

Wai Yee Ella Wong BEc, ACS, ACIS (Company Secretary – Hong Kong)

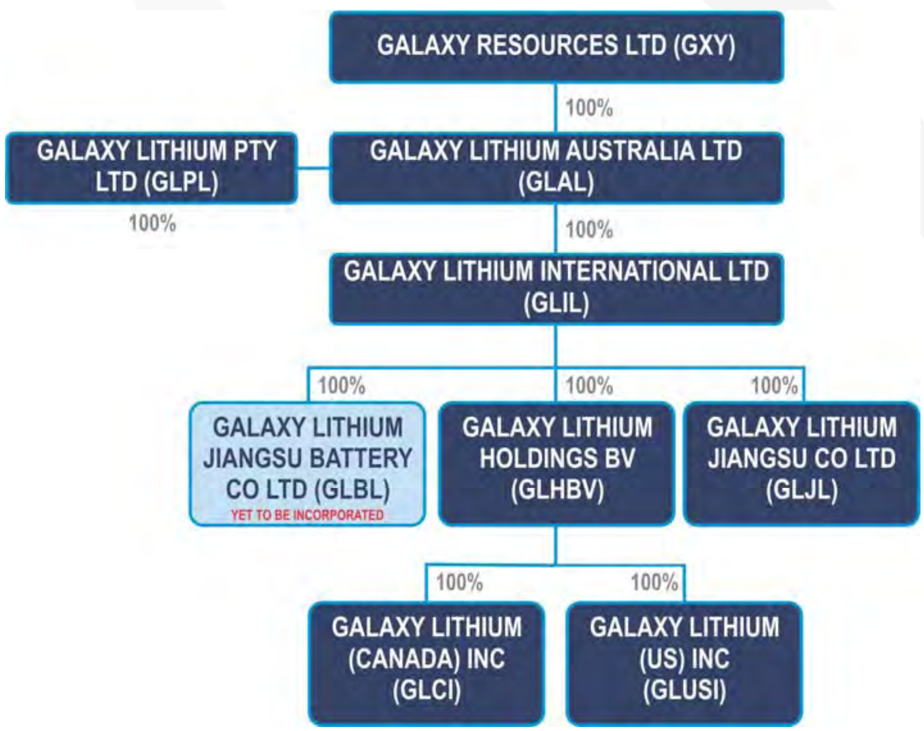
Ms Wong joined the Company on February 24, 2011 and has been the Company Secretary since then. Ms Wong is currently a manager of the corporate services division of Tricor. Ms Wong is a chartered secretary and an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms Wong received her Bachelor of Economics from the University of Hong Kong in 1997 and has also completed a Postgraduate Diploma in Corporate Administration at the City University of Hong Kong in 2000.

CORPORATE INFORMATION

Corporate Structure

Galaxy Resources Limited is a company limited by shares that is incorporated and domiciled in Australia. It is the ultimate parent entity and has prepared a consolidated financial report incorporating the entities that it controlled during the financial year.

The structure of the Consolidated Entity as at date of this report was as follows:



DIRECTORS' REPORT (CONTINUED)

CORPORATE INFORMATION (CONTINUED)

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 Committee Meetings		Remuneration and Nomination Committee Meetings		Risk Management Committee Meetings	
	A	B	A	B	A	B	A	B
C L Readhead	14	14	2	3	2	2	1	1
I K S Tan	14	14	3(f)	3(f)	2(f)	2(f)	1(f)	1(f)
A P Tse	12	14	-	-	1(f)	1(f)	-	-
C B F Whitfield	14	14	-	-	1(f)	1(f)	-	-
R J Wanless	12	14	-	-	1(f)/1	1(f)/1	1	1
Y Zheng	4	14	-	3	-	2	-	-
X Ren	13	14	-	-	1(f)	1(f)	-	-
S Wu (b)	-	14	-	-	-	-	-	-
I J Polovineo (c)	8	8	1	1	1	1	-	-
K C Kwan	13	14	3	3	2	2	1	1
D M Spratt (a)	13	14	3	3	2	2	1	1
R Shi (d)	4	5	-	-	-	-	-	-
M Chen (e)	2	2	-	-	1	1	1	1

(a) Appointed on 11 February 2011.

(b) Appointed on 24 February 2011.

(c) Resigned on 2 September 2011.

(d) Appointed Alternate on 19 September 2011.

(e) Appointed Alternate on 2 December 2011.

(f) By invitation.

A – Number of meetings attended. **B** – Number of meetings held during the time the director held office during the year.

CORPORATE GOVERNANCE STATEMENT

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;

DIRECTORS' REPORT (CONTINUED)
CORPORATE GOVERNANCE (CONTINUED)

- 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 ten Directors: seven Non-Executive Directors including the Chairman, and three 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 and executive directors, 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 page 29.

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 Readhead is the current Chairman of the Company, and is considered not independent. However, with consideration to his relevant experience and skills, it is considered appropriate for Mr Readhead to continue as chairperson.

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.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

The Board considers that of the Non-Executive Directors, Messrs Kwan, Spratt and Wanless independent.

Due to the fact the Board is only a board of ten, of which seven 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

The Board meets at least eight times each year, and full Board meetings are usually held every 6 weeks. From time to time meetings are convened outside the scheduled dates to consider issues of importance. Board members are encouraged to visit the Group's operations at least once per year.

Directors' attendance at Board and Committee meetings is detailed on page 34.

Board Committees

The Company's Board has established an Audit Committee, Remuneration and Nomination and a Risk Management Committee.

Audit Committee (AC)

The names of AC Members during the financial period. Members were in office for the entire period unless otherwise stated.

Kai Cheong Kwan (Apppointed Chairman – 7 September 2011)
Craig Leslie Readhead
Robert James Wanless (Appointed Member – 22 December 2011)
David Michael Spratt (Appointed Member – 11 February 2011)
Yuewen Zheng
Ivo John Polovineo (Resigned Chairman and Member – 2 September 2011)

Mr Meloncelli is 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 AC meetings is detailed on page 34.

The AC'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.

The AC'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; and
- Reviewing annual financial reports, and meeting with management and external auditors to discuss the reports and the results of the audit.

The Managing Director, Chief Financial Officer and the External Auditors usually attend AC meetings.

Remuneration and Nomination Committee (RNC)

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

Craig Leslie Readhead (Chairman)
Kai Cheong Kwan
Robert James Wanless (Appointed Member – 22 December 2011)

DIRECTORS' REPORT (CONTINUED)
CORPORATE GOVERNANCE (CONTINUED)

David Michael Spratt (Appointed Member – 11 February 2011)
Yuewen Zheng
Ivo John Polovineo (Resigned Member – 2 September 2011)

Mr Meloncelli is the Secretary to the Committee. It has a formal charter and meets generally at least twice time 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 34.

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 Director's and Senior Executives' Remuneration is set out in the Directors Report.

Risk Management Committee (RMC)
The names of RNC Members during the financial period. Members were in office for the entire period unless otherwise stated.

Yuewen Zheng (Chairman)
David Michael Spratt (Appointed Member – 11 February 2011 and Deputy Chairman – 22 December 2011)
Kai Cheong Kwan
Robert James Wanless (Appointed Member – 22 December 2011)
Craig Leslie Readhead
Ivo John Polovineo (Resigned Member – 2 September 2011)

Mr Meloncelli is the Secretary to the Committee. It has a formal charter and meets generally at least one time during a financial year. A copy of the Charter is located on the Company's website. Committee members' attendance at RMC meetings is detailed on page 34.

The RMC is 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 to:
- Ensure compliance in legal statutory and ethical matters;
- Monitor the business environment;
- Identify business risk areas; and
- Identify business opportunities.

The Board has delegated responsibility to the RMC to review and report to the Board that:

- 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;
- A regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
- Proper remedial action is undertaken to redress areas of weakness.

The Company has in place specific policies and programs addressing certain strategic, financial, operational and compliance risks. Comprehensive reports addressing each of these areas are provided regularly to management and the Board. 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.

Corporate Reporting
The Managing Director and Chief Financial Officer have made the following certifications to the Board with respect to the 31 December 2011 accounts:
- That the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group and are 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.

DIRECTORS' REPORT (CONTINUED)
CORPORATE GOVERNANCE (CONTINUED)

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 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 2011 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 the performance of individual Directors and of Board committees. 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 discloure;
- 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 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 divresity measures in each of its operating locations taking into account the differing diversity issues within the geogrpahjic location in which it operates.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

This policy includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieivng them.

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 2011:

1. proportion of women employees in whole organisation: 19.2%
2. proportion of women in management positions: 16.1%
3. proportion of women in senior management positions: 0%
4. proportion of women on the Board: 0% (including Alternate Directors: 8.3%).

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
1	Lay solid foundations for management and oversight.	Galaxy complies with this Principle.	Not applicable.
2	Structure the Board to add value.	The Chairman is not considered independent. Messrs Kwan, Spratt and Wanless (Three of Ten Directors) are considered independent.	The Board considers the Board Structure appropriate at this time and is consistent with the Business Activities of the Consolidated Entity.
3	Promote ethical and responsible decision-making.	Galaxy complies with this principle.	Not applicable.
4	Safeguarding integrity in financial reporting.	Galaxy complies with this principle.	Not applicable
5	Make timely and balanced disclosure.	Galaxy complies with this principle.	Not applicable
6	Respect the rights of shareholders.	Galaxy complies with this principle.	Not applicable.
7	Sound systems to recognise and manage risk.	Galaxy complies with this principle.	Not applicable.
8	Remunerate fairly and responsibly.	Galaxy substantially complies with this Principle. Non-Executive Directors have received performance options to provide incentive to grow the Company.	The Board considers that the issue of performance options to Non-Executive Directors appropriate as it aligns the interests of the Non-Executive Directors with Shareholders.

PRINCIPAL ACTIVITIES

The principal activities of the entities within the Consolidated Entity are:

- Development of the Mt Cattlin Spodumene Mine;
- Development of the Jiangsu Lithium Carbonate Plant; and
- Exploration for minerals.

DIVIDENDS

No dividends have been paid by the Company during the year ended 31 December 2011, nor have the Directors recommended that any dividends be paid.

OPERATING AND FINANCIAL REVIEW

Operating Results for the Period

The Consolidated Entity's loss was $131,921,415 after tax for the year to 31 December 2011 (31 December 2010: $29,583,330).

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Review of Operations

The Review of Operations is included separately in this Annual Report.

Review of Financial Condition

During the course of the financial period a number of events impacted on the financial condition of the Consolidated Entity as follows:

- Total equity increased by $22,080,930 (24%) to $113,515,105:
  - 130,673,642 shares were issued by way of placements raising $150,000,000 before costs; and
  - 250,000 shares were issued by way of exercise of options raising $150,000.
- Cash on hand decreased by $9,512,634 (34%) to $17,996,933.
- Current assets increased by $1,576,110 (4%) to $42,243,965.
- Total assets decreased by $6,169,106 (3%) to $241,701,389

As at 31 December 2011 the Consolidated Entity had:

- Cash and cash equivalents of $17,996,933;
- Current Debt of $3,714,935;
- Non Current Debt of $95,852,660.

Significant Changes in State Of Affairs

The state of affairs of the Company was not affected by any significant changes during the year.

Events Subsequent To Reporting Date

- On February 13, 2012, 8,550,000 ESOP options were issued. These options were exercisable at $1.16 and vest upon completion of 18 months service from 30 November 2011, successful listing on the Stock Exchange of Hong Kong Ltd and the Company's share price being greater than A$2.00 based on a 10 day VWAP.
- On January 5, 2012, the Company completed the third spodumene shipment to Jiangsu Lithium Carbonate Plant

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 Consolidated Entity intends to continue exploration and development of the Mt Cattlin Spodumene Mine and Jiangsu Lithium Carbonate Plant and to seek investment opportunities in the resources industry.

Further information on likely developments in the operations of the Company and Consolidated Entity and expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

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

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.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT – AUDITED (CONTINUED)

A Principles of compensation - audited

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 and secretaries 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 segment/s' performance
- the Group's performance including:
  - the Group's earnings
  - the growth in share price and delivering constant returns on shareholder wealth
  - the amount of incentives within each key management person's compensation.
  - 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 FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Remuneration and Nomination Committee through a process that considers individual, segment and overall performance of the Group. In addition, external consultants provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the market place. A senior executive's compensation is also reviewed on promotion.

Performance linked compensation

Performance linked compensation includes both short-term and long-term incentives, and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an 'at risk' bonus provided in the form of cash, while the long-term incentive (LTI) is provided as options over ordinary shares of the Company under the rules of the Executive Share Option Plan.

Short-term incentive bonus

Each year the Remuneration and Nomination Committee sets the key performance indicators (KPIs) for the Managing Director, Senior Executives and staff. The KPIs generally include measures relating to the Group, the relevant segment, and the individual and include financial, people, customer, strategy and risk measures. The measures are chosen as they directly align the individual's reward to the KPIs of the Group and to its strategy and performance.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT – AUDITED (CONTINUED)

Short-term incentive bonus (continued)

The short term bonus was considered against Company goals that included for the 30 June 2011 year;

1) Finalise loan documentation and achieve RZB/CDB loan drawdown by 30 June 2011
2) Establish and implement short term funding solution by 30 December 2010
3) Successfully list on the Hong Kong Stock Exchange
4) Complete construction of Mt Cattlin and start up to meet market expectations by 30 June 2011
5) Establish Business Readiness Program for both projects to ensure both projects are ready for start up by 30 June 2011
6) Establish offtake contracts for Jiangsu Lithium Carbonate production to get bank loan drawdown by 30 December 2010
7) Pay RZB and CDB loan down and release all security
8) Complete construction of Jiangsu and start up by 30 June 2011
9) Complete acquisition of one blue sky project by 30 June 2011
10) Establish Lithium Battery Project Strategy and Feasibility by 30 June 2011

At the end of the 12 months ended 30 June the Remuneration and Nomination Committee assesses the actual performance of the Group, the relevant segment and individual against the KPIs set at the start of the 12 months ended 30 June. It was determined that 7.5 out of 10 (75%) Company goals were achieved, resulting in key management personnel receiving 75% of the full bonus entitlement. All permanent employees of Galaxy Resources and its controlled subsidiaries were eligible to participate in the Short Term Bonus. The goals not achieved were 3 and 8. Goal 5 was half met (for Mt Cattlin).

The basis for the calculation of the bonus will be the annual base salary and superannuation for Australia-based and the annual gross salary for China based employees as at 1st July 2010 and was paid in July 2011. The Managing Director Short Term Bonus was 22.5%, Senior Management was 15% and other staff 7.5%. The performance evaluation in respect of the year ended 30 June 2011 has taken place in accordance with this process.

The short term bonus will be considered against a range of goals for the 30 June 2012 year which focus on completion and ramp up of the Jiangsu Lithium Carbonate Plant, operational and safety performance and a discretionary component.

Remuneration and Nomination Committee recommends the cash incentive to be paid to the individuals for approval by the board. The method of assessment was chosen as it provides the committee with an objective assessment of the individual's performance.

Long-term incentive bonus

Options are issued under the Employee Share Option Plan No2 which was adopted at the 2nd April 2009 General Meeting and provides for Senior Management and Staff to receive options over ordinary shares for no consideration as determined by the board.

The ability to exercise the options granted during 2011 is conditional upon various performance hurdles which include:

- On the latest to occur of completion of 18 months service, successfully listing on Stock Exchange of Hong Kong Ltd, and the Company's share price being greater than A$2.00 based on a 10 day VWAP.

For the period from 1 January 2011 to 30 June 2011 the Company did not have a policy that prohibits those that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases. Subsequent to 30 June 2011, legislative changes to the Corporation Act make it illegal for key management personnel to hedge their remuneration.

Short-term and long-term incentive structure

The Remuneration and Nomination Committee considers that the market based factors and the achievement of corporate goals as the primary factors for the compensation structure are generating the desired outcome. In the current year the 10 corporate goals for the year ended 30 June 2011 and various vesting conditions of LTI are achieving this.

DIRECTORS' REPORT (CONTINUED)
REMUNERATION REPORT – AUDITED (CONTINUED)

Short-term and long-term incentive structure (continued)
The Group continues through a development phase. Accordingly, performance is not appropriate to be measured by revenue and profit, but by more appropriate factors. These corporate goals and vesting conditions were chosen because they are the ones that will ultimately drive shareholder wealth.

Consequences of performance on shareholder wealth
The Remuneration and Nomination Committee have observed the following indices in respect of the current financial year and the previous four financial years.

	31 December 2011	31 December 2010	31 December 2009	30 June 2009	30 June 2008
Comprehensive loss attributable to owners of the company	(130,486,966)	(33,036,118)	(12,321,992)	(3,758,550)	(393,120)
Change in share price	($0.745)	$0.17	$0.65	$0.07	($0.10)

The overall level of key management personnel compensation takes into account the performance of the Group over a number of years. The Group continues through a development phase. Accordingly, performance is not appropriate to be measured by revenue and profit, but by more appropriate factors. These corporate goals and vesting conditions were chosen because they are the ones that will ultimately drive shareholder wealth.

Other benefits
The Managing Director currently receives non-cash benefits as a motor vehicle and the Group pays fringe benefit tax on these benefits.

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. Directors' base fees are presently up to $70,000 per annum.

The Chairperson receives $120,000 per annum. Directors' fees cover all main board activities and memberships of committees.

B Details of remuneration

	12 months to 31 December 2011 $	12 months to 31 December 2010 $
Total income received, or due and receivable, by key management personnel of the Group	9,583,562	7,870,886

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 Resources Limited are the following:

- Craig Readhead (Chairman)
- Ignatius Tan (MD)
- Anthony Tse (Executive Director)
- Charles Whitfield (Executive Director)
- Robert Wanless (Non-Executive Director)
- Yuewen Zheng (Non-Executive Director)
- Xiaojian Ren (Non-Executive Director)
- Kai Cheong Kwan (Non-Executive Director)
- Michael Spratt (Non-Executive Director)
- Shaoqing Wu (Non-Executive Director)
- John Sobolewski (CFO)
- Terry Stark (GM Operations)
- Anand Sheth (GM Marketing & Business Development)
- Jingyuan Liu (GM Development)
- Andrew Meloncelli (Company Secretary)
- Phil Tornatora (Exploration & Geology Manager)

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT – AUDITED (CONTINUED)

B Details of remuneration (continued)

31 December 2011	Short –term benefits			Post-employment benefits	Share-based payment		Proportion of remuneration performance related	Value of options as proportion of remuneration
Name	Cash Salary & Fees	Other	Bonus	Superannuation		Total		
	$	$	$	$	$	$	%	%
Executives								
I KS Tan	532,299	21,432	127,530	59,298	2,158,757	2,899,316	79%	75%
JA Sobolewski	255,476	-	40,875	26,672	152,368	475,391	41%	32%
TA Stark	337,221	-	53,955	35,206	152,368	578,750	36%	26%
AM Sheth	307,857	-	49,050	32,003	152,368	541,278	37%	28%
PM Tornatora	255,476	-	20,438	24,832	76,184	376,930	26%	20%
AL Meloncelli	224,798	-	35,970	23,469	661,850	946,087	74%	70%
DJ Coutts (resigned 16 Sep 11)	197,239	-	29,148	20,150	(203,539)**	42,998	-	-
J Liu (appointed 6 Sep 11)	209,360	-	14,715	19,297	76,184	319,556	28%	24%
AP Tse	253,557	-	49,050	-	203,532	506,139	50%	40%
CBF Whitfield	253,557	-	49,050	-	203,532	506,139	50%	40%
Non – Executive Directors								
C L Readhead	120,000	-	-	-	539,689	659,689	82%	82%
R J Wanless	70,000	-	-	6,300	438,063	514,363	85%	85%
K C Kwan	70,000	-	-	-	203,252	273,252	74%	74%
I J Polovineo (resigned 16 Sep 11)	50,864	-	-	-	(203,539)**	(152,675)	-	-
X Ren	70,000	-	-	-	203,252	273,252	74%	74%
Y Zheng	70,000	-	-	-	304,879	374,879	81%	81%
M Spratt (appointed 11 February 2011)	62,083	64,000*	-	5,588	128,586	260,257	49%	49%
S Wu (appointed 25 February 2011)	59,375	-	-	-	128,586	187,961	68%	68%

*Consulting fees.

**Options previously expensed were forfeited on resignation.

DIRECTORS' REPORT (CONTINUED)
REMUNERATION REPORT – AUDITED (CONTINUED)

B Details of remuneration (continued)

31 December 2010	Short –term benefits			Post-employment benefits	Share-based payment		Proportion of remuneration performance related	Value of options as proportion of remuneration
Name	Cash Salary & Fees $	Other $	Bonus $	Superannuation $	$	Total $	%	%
Executives								
I KS Tan	440,000	10,000	-	39,560	1,823,023	2,312,583	79%	79%
JA Sobolewski	230,000	-	-	20,700	203,539	454,239	45%	44%
TA Stark	300,000	-	-	27,000	203,539	530,539	38%	38%
AM Sheth	260,763	-	-	23,469	203,539	487,771	42%	42%
PM Tornatora	230,110	-	-	20,710	101,769	352,589	29%	29%
AL Meloncelli	200,000	-	-	18,000	721,666	939,666	77%	77%
DJ Coutts	41,538	-	-	3,738	203,539	248,815	82%	82%
AP Tse	66,668	-	-	-	203,539	270,207	75%	75%
CBF Whitfield	66,668	-	-	-	203,539	270,207	75%	75%
Non – Executive Directors								
C L Readhead	97,500	-	-	-	455,756	553,256	82%	82%
R J Wanless	60,000	-	-	5,400	353,986	419,386	84%	84%
K C Kwan	15,054	-	-	-	203,539	218,593	93%	93%
I J Polovineo	25,432	-	-	-	203,539	228,971	89%	89%
X Ren	15,217	-	-	-	203,539	218,756	93%	93%
Y Zheng	60,000	-	-	-	305,308	365,308	84%	84%

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT – AUDITED (CONTINUED)

C Service Agreements

I KS Tan (Managing Director)

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

Agreement

Under the terms of the agreement, Mr Tan is entitled to a Salary of $543,400 from 1 July 2011 ($520,000 January to June 2011) per annum plus 9% superannuation. Mr Tan is also provided with a vehicle for which lease payments are made by the Company, to the value of $1,786 per month. This is reviewed by the Remuneration and Nomination Committee annually.

Termination

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

Other executives have a contract with the Company on a fixed annual salary plus 9% super. Each executive must give one to three months notice to terminate the contract.

D Share-based compensation

Aside from share options, no share based remuneration compensation plan existed during the year. The terms and conditions of each grant of options affecting remuneration in the previous, current or future reporting periods are as follows:

Grant date	Date exercisable (Class)	Expiry date	Exercise Price	Value per option at grant date
27 November 2008	a	24 November 2011	$0.80	$0.16
27 November 2008	b	24 November 2011	$1.00	$0.14
27 November 2008	c	24 November 2011	$1.20	$0.12
2 April 2009	d	5 years from vesting	$0.60	$0.07
17 April 2009	d	5 years from vesting	$0.60	$0.08
2 April 2009	e	5 years from vesting	$0.60	$0.03
17 April 2009	e	5 years from vesting	$0.60	$0.03
17 April 2009	f	5 years from vesting	$0.45	$0.27
14 October 2009	g	5 years from vesting	$0.60	$1.38
23 November 2009	g	5 years from vesting	$0.90	$0.87
14 October 2009	d	5 years from vesting	$0.60	$1.07
10 March 2010	e	5 years from vesting	$1.11	$1.00
10 March 2010	h	5 years from vesting	$1.11	$1.00
10 March 2010	i	5 years from vesting	$1.11	$1.03
4 June 2010	j	5 years from vesting	$0.96	$0.77
22 December 2010	k	5 years from vesting	$1.16	$0.94
24 March 2011	l	3 years from vesting	$1.16	$0.52
16 May 2011	k	5 years from vesting	$1.16	$0.29

a. On completion of securing of all necessary debt/equity funding for development of Mt Cattlin.
b. On achievement of commercial production of lithium/tantalum concentrate at nameplate rate specified in Bankable Feasibility Study.
c. On achievement of positive earnings before interest and tax from production of lithium carbonate/concentrate.
d. On completion of the Company securing all necessary debt and equity funding for the development of the Mt Cattlin Project.
e. 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.
f. Immediately.
g. On completion of the Company securing all necessary debt and equity funding for the development of the Jiangsu Lithium Carbonate Project.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT – AUDITED (CONTINUED)

D Share-based compensation (continued)

h. On achievement of commercial production of lithium carbonate at the nameplate capacity specified in the final plant design at the Company's Jiangsu Project for 3 consecutive months.
i. On completion of 18 months employment (earliest vesting date of 22 July 2011).
j. On completion of 18 months service from date of grant and increase shareholder returns by 68% measured by a 5 day VWAP share price being greater than $2.00 per share.
k. On the latest to occur of completion of 12 months service from 13 October 2010, successful listing on SEHK, and Company's share price being greater than A$2.00 based on 10 day VWAP.
l. On the latest to occur of completion of 18 months service from 24 February 2011, successfully listing on Stock Exchange of Hong Kong Ltd, and Company's share price being greater than A$2.00 based on a 10 day VWAP.

The above performance conditions were chosen as they were linked to significant Company objectives and are aligned to shareholder wealth objectives. Success against these performance conditions is assessed on a periodic basis by the Remuneration and Nomination committee.

Analysis of movements in options - audited

Details on options over ordinary shares in the company that were granted as compensation to each key management person during the reporting period and details of options vested during the reporting period are as follows:

Name	Number of options granted In year	Fair value $	Granted in year $	Number of options vested In year	Number of options lapsed in year	Lapsed in year (c) $
Directors of Galaxy Resources Limited						
I J Polovineo	-	-	-	-	1,000,000 (b)	940,000
M Spratt	1,000,000 (b)	0.29	290,000	-	-	-
S Wu	1,000,000 (b)	0.29	290,000	-	-	-
Other Key Management Personnel						
J Liu	-	-	-	200,000 (a)	-	-
A L Meloncelli	-	-	-	1,000,000 (a)	-	-
D Coutts	-	-	-	-	1,000,000 (b)	940,000

(a) Class i; exercise price $1.11; expire 3 years from vesting
(b) Class k; exercise price $1.16; expire 5 years from vesting
(c) The value of options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using the Black Scholes option-pricing model assuming the performance criteria had been achieved.

Shares issued on exercise of remuneration options

Details of ordinary shares in the Company provided as a result of the exercise of remuneration options to each director of Galaxy Resources Limited and other key management personnel of the Group are set out below.

Name	Date of exercise of options	Amount paid per share	Number of ordinary shares issued on exercise of options	
			December 31, 2011	Value of options exercised $
Directors of Galaxy Resources Limited				
Other Key Management Personnel				
P M Tornatora	February 3, 2011	$0.60	250,000	250,000*

*The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT – AUDITED (CONTINUED)

D Share-based compensation (continued)

Analysis of options and rights over equity instruments granted as compensation – audited

Details of vesting profiles of the options granted as remuneration to each key management person of the Group and each of the Group executives are listed below.

Executives	Options granted		% vested in year	% forfeited in year (A)	Financial years in which grant vests
Directors	Number	Date			
C L Readhead	250,000	17 April 2009	-	-	26 November 2014
	500,000	17 April 2009	-	-	n/a
	500,000	23 November 2009	-	-	26 November 2014
	500,000	4 June 2010	-	-	n/a
	1,500,000	22 December 2010	-	-	n/a
R J Wanless	250,000	17 April 2009	-	-	26 November 2014
	500,000	17 April 2009	-	-	n/a
	500,000	23 November 2009	-	-	26 November 2014
	500,000	4 June 2010	-	-	n/a
	1,000,000	22 December 2010	-	-	n/a
Y Zheng	1,500,000	22 December 2010	-	-	n/a
X Ren	1,000,000	22 December 2010	-	-	n/a
S Wu	1,000,000	16 May 2011	-	-	n/a
I J Polovineo	1,000,000	22 December 2010	-	100%	n/a
K C Kwan	1,000,000	22 December 2010	-	-	n/a
D M Spratt	1,000,000	16 May 2011	-	-	n/a
Executives					
I KS Tan	1,000,000	17 April 2009	-	-	26 November 2014
	1,500,000	17 April 2009	-	-	n/a
	2,000,000	4 June 2010	-	-	n/a
	6,000,000	22 December 2010	-	-	n/a
JA Sobolewski	450,000	17 April 2009	-	-	26 November 2014
	750,000	17 April 2009	-	-	n/a
	1,000,000	22 December 2010	-	-	n/a
TA Stark	750,000	17 April 2009	-	-	17 April 2014
	500,000	17 April 2009	-	-	26 November 2014
	750,000	17 April 2009	-	-	n/a
	800,000	23 November 2009	-	-	26 November 2014
	1,000,000	22 December 2010	-	-	n/a
AM Sheth	600,000	17 April 2009	-	-	26 November 2014
	750,000	17 April 2009	-	-	n/a
	1,000,000	22 December 2010	-	-	n/a
PM Tornatora	400,000	17 April 2009	-	-	n/a
	500,000	22 December 2010	-	-	n/a
AL Meloncelli	1,000,000	10 March 2010	-	-	22 July 2016
	1,000,000	22 December 2010	-	-	n/a
DJ Coutts	1,000,000	22 December 2010	-	100%	n/a
J Liu	200,000	10 March 2010	-	-	n/a
	200,000	10 March 2010	-	-	22 July 2016
	500,000	22 December 2010	-	-	n/a
AP Tse	1,000,000	22 December 2010	-	-	n/a
CBF Whitfield	1,000,000	22 December 2010	-	-	n/a

(A) The % forfeited in the year represents the reduction from the maximum number of options available to vest due to resignation of the individual.

DIRECTORS' REPORT

Insurance of Officers

During the year, Galaxy Resources Limited incurred premiums 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.

Environmental Regulation and Performance

The Consolidated Entity holds various environmental licenses 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 licenses 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 Consolidated Entities licenses and all mining, exploration and chemicals activities have been undertaken in compliance with the relevant environmental regulations.

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 2011 or at the date of this report.

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 50 and forms part of the directors' report for the year ended 31 December 2011.

Signed in accordance with a resolution of the Directors
Dated at Perth this 20th day of March 2012.
On behalf of the Directors

I KS Tan
Managing Director

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Galaxy Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

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

KPMG

KPMG

Trevor Hart
Partner

Perth

20 March 2012

KPMG, an Australian partnership and a member firm of the KPMG network
of independent member firms affiliated with KPMG International, a Swiss cooperative.

FINANCIAL REPORT

Consolidated Statement of Comprehensive Income

	Note	Year ended December 31, 2011	Year ended December 31, 2010
		$	$
Revenue	4	187,417	-
Mine operating expenses		(27,531,697)	-
Staff costs	6(a)	(7,016,545)	(5,101,723)
Share based payments	6(a), 23	(8,940,786)	(11,219,220)
Administration and accounting fees		(1,056,277)	(463,272)
Impairment of mining property, plant and equipment	13	(42,034,000)	-
Consulting fees		(4,112,874)	(2,848,697)
Consultants - HK Listing		(6,060,564)	(3,022,314)
Depreciation and amortisation		(4,570,014)	(169,925)
Legal fees		(1,199,854)	(788,809)
Public relations and communications		(1,108,363)	(661,076)
Travel expenses		(1,220,752)	(1,216,502)
Other operating expenses		(4,505,463)	(3,584,335)
Loss from operations		**(109,169,772)**	(29,075,873)
Finance income		3,681,592	4,841,880
Finance costs		(27,168,203)	(5,349,337)
Net finance costs	5	**(23,486,611)**	(507,457)
Loss before taxation		**(132,656,383)**	(29,583,330)
Income tax	8(a)	734,968	-
Loss for the year		**(131,921,415)**	(29,583,330)
Other comprehensive income for the year			
Foreign currency translation differences - foreign operations		1,584,449	(3,602,788)
Net change in available-for-sale financial assets		(150,000)	150,000
Other comprehensive income for the year		1,434,449	(3,452,788)
Total comprehensive income for the year		**(130,486,966)**	(33,036,118)
Loss per share			
Basic and diluted loss per share (cents per share)	11	(47.12)	(16.62)

The accompanying notes form part of these consolidated financial statements.

Consolidated Balance Sheet

	Note	December 31, 2011 $	December 31, 2010 $
NON-CURRENT ASSETS			
Property, plant and equipment	13	185,277,427	145,397,992
Lease prepayment	14	2,782,067	2,836,259
Exploration and evaluation assets	15	7,424,728	2,242,852
Available-for-sale financial assets	16	205,000	600,000
Other receivables and prepayments	17	3,768,202	952,654
Restricted cash deposit	19	-	42,834,671
TOTAL NON-CURRENT ASSETS		**199,457,424**	**194,864,428**
CURRENT ASSETS			
Other receivables and prepayments	17	10,728,612	5,936,284
Inventories	24	13,518,420	2,001,922
Restricted cash deposit	19	-	5,220,082
Cash and cash equivalents	18	17,996,933	27,509,567
TOTAL CURRENT ASSETS		**42,243,965**	**40,667,855**
TOTAL ASSETS		**241,701,389**	**235,532,283**
NON-CURRENT LIABILITIES			
Provisions	21	1,232,000	913,000
Interest bearing liabilities	22	95,852,660	123,078,868
TOTAL NON-CURRENT LIABILITIES		**97,084,660**	**123,991,868**
CURRENT LIABILITIES			
Trade and other payables	20	26,980,506	12,123,127
Provisions	21	406,183	346,145
Interest bearing liabilities	22	3,714,935	7,636,968
TOTAL CURRENT LIABILITIES		**31,101,624**	**20,106,240**
TOTAL LIABILITIES		**128,186,284**	**144,098,108**
NET ASSETS		**113,515,105**	**91,434,175**
CAPITAL AND RESERVES			
Share capital	25	271,457,219	128,419,427
Reserves	25	20,713,250	10,440,833
Accumulated Losses		(178,655,364)	(47,426,085)
TOTAL EQUITY		**113,515,105**	**91,434,175**

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Note	Share capital $	Equity-settled payments reserve $	Foreign currency translation reserve $	Fair value reserve $	Accumulated losses $	Total equity $
Balance at December 31, 2009 and January 1, 2010		**88,834,372**	**9,430,119**	**-**	**-**	**(17,842,755)**	**80,421,736**
Loss for the year		-	-	-	-	(29,583,330)	(29,583,330)
Other comprehensive income for the period		-	-	(3,602,788)	150,000	-	(3,452,788)
Total comprehensive loss		-	-	(3,602,788)	150,000	(29,583,330)	(33,036,118)
Issue of shares, net of transaction costs	25(b)	25,593,712	-	-	-	-	25,593,712
Exercise of share options	25(b)	7,235,625	-	-	-	-	7,235,625
Transfer of reserve upon exercise of share options	25(b)	6,755,718	(6,755,718)	-	-	-	-
Share-based payment transactions	25(b)	-	11,219,220	-	-	-	11,219,220
Balance at December 31, 2010 and January 1, 2011		**128,419,427**	**13,893,621**	**(3,602,788)**	**150,000**	**(47,426,085)**	**91,434,175**
Loss for the year		-	-	-	-	(131,921,415)	(131,921,415)
Other comprehensive income for the period		-	-	2,192,696	(150,000)	-	2,042,696
Total comprehensive income		-	-	2,192,696	(150,000)	(131,921,415)	(129,878,719)
Issue of shares, net of transaction costs	25(b)	142,868,863	-	-	-	-	142,868,863
Exercise of share options	25(b)	150,000	-	-	-	-	150,000
Transfer of reserve upon exercise of share options	25(b)	18,929	(18,929)	-	-	-	-
Transfer of reserve upon forfeit of options		-	(692,136)	-	-	692,136	-
Share-based payment transactions		-	8,940,786	-	-	-	8,940,786
Balance at December 31, 2011		**271,457,219**	**22,123,342**	**(1,410,092)**	**-**	**(178,655,364)**	**113,515,105**

The accompanying notes form part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Note	Year ended December 31, 2011	Year ended December 31, 2010
Operating activities			
Receipts from customers		187,418	-
Receipts from Australian taxation		734,968	-
Payments to suppliers and contractors		(58,255,866)	(16,674,002)
Net cash used in operating activities		**(57,333,480)**	**(16,674,002)**
Investing activities			
Interest received		2,077,646	1,418,178
Acquisition of property, plant and equipment		(84,826,130)	(125,872,654)
Payments for exploration and evaluation assets		(5,326,575)	(2,840,975)
Prepayment for technology licence		(2,326,993)	-
Outflow for security deposits/ performance bonds		(395,115)	(164,654)
Net cash used in investing activities		**(90,797,167)**	**(127,460,105)**
Financing activities			
Proceeds from issue of shares		150,150,000	34,514,625
Transaction costs from issue of shares		(7,131,137)	(1,685,288)
Bank charges and interest paid		(7,543,815)	(2,198,732)
Proceeds from borrowings		62,094,479	158,380,353
Repayments of borrowings		(106,589,433)	(44,081,022)
Deposit/(receipt) restricted for loan repayment		45,825,642	(51,563,466)
Net cash generated from financing activities		**136,805,736**	**93,366,470**
Net increase/(decrease) in cash and cash equivalents		**(11,324,911)**	**(50,767,637)**
Cash and cash equivalents at the beginning of the year		27,509,567	83,441,378
Effect of foreign exchange rate changes		1,812,277	(5,164,174)
Cash and cash equivalents at the end of the year	18	**17,996,933**	**27,509,567**

The accompanying notes form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Australian dollars unless otherwise indicated)

1. REPORTING ENTITY

Galaxy Resources Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is at level 2, 16 Ord Street, West Perth, Australia. The consolidated financial statements of the Company as at and for the year ended December 31, 2011 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

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 March 20, 2012.

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material 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.
- Liabilities for cash-settled share-based payment arrangements 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 judgments

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 31.

e. Financial Position

The principal activities of the Group are the development of the Mt Cattlin spodumene mine, development of the Jiangsu lithium carbonate plant, and exploration for minerals. The plan of the Group is to mine and process the hard rock lithium minerals at Mt Cattlin situated in Western Australia which is further processed into spodumene concentrate. The spodumene concentrate is then delivered to Jiangsu plant situated in the People Republic of China (the "PRC") for conversion into lithium compounds and chemicals, including lithium carbonate.

Currently, the Group is in the process of mining and processing hard rock lithium minerals at Mt Cattlin and has constructed the Jiangsu plant (the "Project"). In order to finalise the commissioning and ramp up of the Project over the coming twelve months, the Project activities have been funded through equity contributions together with loans from China Construction Bank (CCB) and Convertible Bonds.

In February 2011 the Group finalised a $61.5 million raising with the issuance of 615 convertible bonds at a face value of $100,000 per bond (refer to note 22).

In addition, in February 2011, the Group issued 21.5 million shares at $1.39 to raise $30 million and in April and May 2011, the Group completed a $120 million equity placement to sophisticated and institutional investors, issuing 109 million shares at $1.10 each. Funds raised were used to repay the Syndicated Facility together with funding capital costs and working capital needs for the Group.

2. BASIS OF PREPARATION (CONTINUED)

e. Financial Position (continued)

The repayment of the Syndicated Facility was part of a strategy to swap to more preferred debt structures to be provided by China Construction Bank Limited (CCB).

During June 2011 the Group entered into unsecured finance facility agreements with China Construction Bank Limited (CCB) for facilities totalling $58.0 million. These have been drawn to 31 December 2011 to the extent of $33.5 million.

At 31 December 2011 the Group had available cash of $18 million and undrawn facilities in China of $24.5 million. At 29 February 2012 cash had reduced to approximately $9 million. In March 2012, the Group has entered into a further unsecured funding facility with Shanghai Pudong Development Bank Co., Ltd (SPD) for RMB 84 million, approximately $13 million is repayable in 3 years from the date of the drawdown.

In order to complete the commissioning and ramp up of the Project at both Jiangsu and Mt Cattlin the Group requires further funding of approximately $30 million over the coming twelve months.

The Group is presently in discussions with providers of debt and equity finance. Based on recent fund raising success, together with the anticipated successful ramp up and commissioning of the Project in accordance with the Company's forecast, the Directors are confident that the Group has the capacity to raise the additional funds required. This supports the going concern basis preparation for the consolidated financial statements.

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. Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Acquisitions on or after 1 July 2009

For acquisitions on or after 1 July 2009, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Basis of consolidation (continued)

(i) Business combinations (continued)

Acquisitions between 1 July 2004 and 1 July 2009

For acquisitions between 1 July 2004 and 1 July 2009, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Acquisitions prior to 1 July 2004 (date of transition to IFRSs)

As part of its transition to IFRSs, the Group elected to restate only those business combinations that occurred on or after 1 July 2003. In respect of acquisitions prior to 1 July 2003, goodwill represents the amount recognised under the Group's previous accounting framework [Australian GAAP].

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b. Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets 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 asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Financial instruments (continued)

(i) Non-derivative financial assets (continued)

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 classified non-derivative financial liabilities into the other financial liabilities category. Such 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, except for Convertible Bonds (refer to accounting policy 3(k)).

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.

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 resources 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 (CONTINUED)

c. Exploration and evaluation assets (continued)

Intangibile exploration and evaluation assets include:

- Acquisition of rights to explore;
- Topographical, geological, geochemical and geophysical studies;
- Exploratory drilling, trenching, and sampling; and
- Activities in relation to evaluating the technical feasibility and commercial viability of extracting the mineral resource.
- 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 “other income” in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Property, plant and equipment (continued)

Subsequent costs

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

Assets under construction

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

Development expenditure

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

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

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

Development expenditure includes the following:

- Reclassified exploration and evaluation assets
- Direct costs of construction
- Pre-production stripping costs
- 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 – 16 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

During the period the Company recognised an impairment charge relating to capitalised pre-commencement costs and development expenditure at the Company's Mt Cattlin Lithium Project. The assessment involved the use of significant estimates and judgements as set out in Note 13.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Impairment of assets (continued)

Loans and receivables

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

In assessing collective impairment the Group uses historical trends of the probability of default, the 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 less 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 loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. a repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Available for sale financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. 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 of impairment for an investment in an equity security includes a significant or prolonged decline in its fair value below its cost.

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 impairment provisions attributable to time value are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

Available-for-sale financial assets (continued)

However, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Impairment of assets (continued)

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. Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

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 fair valued 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.

Site restoration

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Provisions (continued)

Site restoration (continued)

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.

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 (including available-for-sale financial assets). Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and bank charges.

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 and the PRC subsidiary are Hong Kong dollars ("HKD") and Renminbi ("RMB") respectively.

Foreign currency transactions

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 balance sheet date are translated to the functional currency of the entity at the foreign exchange rate ruling at that date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l. Foreign currency (continued)

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

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employee's services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care and motor vehicles, are expensed as the benefits are taken by the employees.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. Employee benefits (continued)

Share based payment transactions (continued)

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 they relate 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, of which deferred taxes are not provided for: 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")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances the GST 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 included. The net amount of the GST recoverable from, or payable to, the ATO 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 components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Tax consolidation

The Company and the Australian subsidiary, Galaxy Lithium Australia Limited, formed a tax consolidated group on July 1, 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 (CONTINUED)

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.

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. New accounting standards and interpretations

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 31 December 2011, but have not been applied in preparing this financial report.

i) AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the project to replace AASB 139 Financial Instruments: Recognition and Management. AASB 9 will become mandatory for the Group's 31 December 2013 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 31 December 2012. The Group has not yet determined the potential effect of the standard.

ii) Amended AASB 119 Employee Benefits, which becomes mandatory for the Group's 31 December 2013 financial statements and could change the definition of short-term and other long-term employee benefits and some disclosure requirements. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

viii) AASB 13 'Financial Instruments' (2010) and related amendments will have a significant impact on the classification and measurement of financial assets and financial liabilities. The new standard and amendments become effective for the consolidated entity's 31 December 2013 financial statements. The consolidated entity has not yet determined the potential impact of the new requirements on the consolidated entity's financial report.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s. New accounting standards and interpretations (continued)

iv) AASB 10 'Consolidated Financial Statements' requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in AASB 127 'Consolidated and Separate Financial Statements' and INT-112 'Consolidation - Special Purpose Entities'. The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities'). This standard will become mandatory for the Group's 31 December 2013 financial statements. The Group has not determined the potential effect of the standard.

v) AASB 11 'Joint Arrangements' replaces AASB 131 'Interests in Joint Ventures'. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. Joint arrangements are either joint operations or joint ventures. This standard will become mandatory for the Group's 31 December 2013 financial statements. The Group has not determined the potential effect of the standard.

4. REVENUE

Revenue consists of income received by the Group from the sale of spodumene to a single cusomter. Income received by the Group for by-products is deducted from inventory.

5. FINANCE INCOME AND FINANCE COSTS

	Year ended December 31, 2011	Year ended December 31, 2010
	$	$
Finance income		
Interest income on cash assets	2,070,586	1,233,786
Net Foreign exchange gains	1,611,006	3,608,094
	3,681,592	4,841,880
Finance costs		
Interest expense on financial liabilities	(7,796,478)	(1,813,455)
Impairment loss on available-for-sale financial assets (note 16)	(245,000)	(575,000)
Bank charges	(61,808)	(229,615)
Convertible bond transaction costs	(1,999,405)	(2,220,584)
Convertible bond change in fair value	(4,568,191)	
Amortisation of senior loan facility costs	(12,497,321)	(510,683)
	(27,168,203)	(5,349,337)
Net finance costs	(23,486,611)	(507,457)

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after (charging)/crediting:

	Year ended December 31, 2011	Year ended December 31, 2010
(a) Staff costs		
Contributions to defined contribution retirement plans	(316,570)	(210,354)
Equity settled share-based payment expenses	(8,940,786)	(11,219,220)
Salaries, wages and other benefits	(6,699,975)	(4,891,369)
	(15,957,331)	(16,320,943)
(b) Other items		
Operating lease charges for property rental	(578,362)	(437,756)

7. AUDITOR'S REMUNERATION

	Year ended December 31, 2011	Year ended December 31, 2010
Audit services		
Auditors of the Company		
KPMG Australia:		
Audit and review of financial reports	(274,000)	(189,910)
Other assurance services	(55,000)	-
KPMG People's Republic of China		
Audit and review of financial reports	(45,000)	(45,000)
	(374,000)	(234,910)
Other services		
Auditors of the Company		
KPMG Australia:		
- Stock Exchange Hong Kong IPO assurance services	-	(850,000)
- Taxation services	(77,325)	-
KPMG People's Republic of China		
- Stock Exchange Hong Kong IPO assurance services	-	(350,000)
- Taxation services	-	-
	(77,325)	(1,200,000)

8. INCOME TAX

(a) Reconciliation between tax expense and accounting loss at applicable tax rates

	Year ended December 31, 2011 $	Year ended December 31, 2010 $
Loss before taxation	(132,656,383)	(29,583,330)
Notional tax benefit on loss before taxation, calculated at the rates applicable to losses in the jurisdictions concerned	39,576,424	8,874,999
Non-deductible expenses	(8,980,193)	(6,598,314)
Tax effect of temporary differences not recognised for deferred tax purposes	-	(345,658)
Tax effect on reversal of temporary differences	(2,183,991)	157,204
Tax effect of losses not recognised for deferred tax purposes	(28,412,240)	(2,088,231)
Research and development tax concession benefit	734,968	
Income tax (expense)/benefit	734,968	-

(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 in Australia.

(ii) Hong Kong's statutory tax rate for 2009 and 2010 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 2009 and 2010.

(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 losses for taxation purposes for 2010.

8. INCOME TAX (CONTINUED)

(b) Recognised deferred tax assets and liabilities

Group

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

Deferred tax arising from:	Other receivables $	Property, plant and equipment $	Exploration and evaluation assets $	Available-for-sale financial assets $	Other payables $	Provisions $	Interest bearing liabilities $	Tax losses $	Others $	Total $
Balance at January 1, 2010	70,108	2,642,835	380,213	7,500	(9,000)	(20,707)	-	(3,070,949)	-	-
Charged/(credited) to profit or loss	(55,317)	426,514	693,914	(127,500)	(49,045)	(368,100)	283,429	(1,976,322)	1,172,427	-
Reclassifications	-	401,270	(401,270)	-	-	-	-	-	-	-
Balance at December 31, 2010 and January 1, 2011	14,791	3,470,619	672,857	(120,000)	(58,045)	(388,807)	283,429	(5,047,271)	1,172,427	-
Charged/(credited) to profit or loss	172,787	(13,275,848)	370,726	120,000	48,486	(176,148)	(283,429)	15,914,273	(2,890,847)	-
Reclassifications	-	-	-	-	-	-	-	-	-	-
Deferred tax assets not taken to account	-	(9,805,229)	-	-	-	-	-	11,523,649	(1,718,420)	
Balance at December 31, 2011	187,578	-	1,043,583	-	(9,559)	(564,955)	-	(656,647)	-	-

(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:

Group	December 31, 2011 $	December 31 2010 $
Transaction costs for issue of shares	2,763,711	1,323,810
Other deductible temporary differences	11,708,297	835,352
Unused tax losses	28,412,240	5,109,907
	42,884,248	7,269,069

8. INCOME TAX (CONTINUED)

Tax consolidation

The Company and the Australian subsidiary, Galaxy Lithium Australia Limited, formed a tax consolidated group on July 1, 2008 under Australian taxation laws, whereby they are taxed as a single entity. The head entity of the tax consolidated group is the Company. Also, the Company and the Australian subsidiary entered into a tax funding agreement which provides for the allocation of current taxes between these two entities. The allocation of taxes under the tax funding agreement is recognised as a movement in the intercompany accounts.

Deferred tax assets have not been recognised in respect of the above-mentioned deductible temporary differences and unused tax losses as it is not probable that future taxable profits will be available against which they can be utilised.

9. KEY MANAGEMENT PERSONNEL DISCLOSURE

Equity instrument disclosures relating to key management personnel

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

Name	Balance at the start of the year	Changes during the year	Granted during the year	Balance as the end of the year
(1) Shares				
Directors				
C L Readhead	3,805,556	-	-	3,805,556
R J Wanless	2,040,493	-	-	2,040,493
I KS Tan	69,000	-	-	69,000
C B F Whitfield	41,361	-	-	41,361
A P Tse	-	-	-	-
K C Kwan	-	-	-	-
I J Polovineo	-	-	-	-
X Ren	38,091,616	-	-	38,091,616
Y Zheng	38,091,616	-	-	38,091,616
M Spratt	-	-	-	-
S Wu	-	-	-	-
Other Key Management Personnel				
J A Sobolewski	-	-	-	-
T A Stark	350,286	-	-	350,286
A M Sheth	40,000	-	-	40,000
P M Tornatora	60,000	250,000*	-	310,000
J Liu	-	-	-	-
A L Meloncelli	5,000	10,000**	-	15,000
Total shares	82,594,928	260,000	-	82,854,928

* Exercise of options

**On market purchase of shares - superfund

No shares were granted to key management personnel during the reporting period as compensation in 2010 or 2011.

9. KEY MANAGEMENT PERSONNEL DISCLOSURE (CONTINUED)
Equity instrument disclosures relating to key management personnel (continued)

Name	Balance at the start of the year	Changes during the year	Granted during the year	Balance as the end of the year	Vested during the year	Vested and exercisable at 31 Dec 2011
(2) Options						
Directors						
C L Readhead	3,250,000	-	-	3,250,000	-	750,000
R J Wanless	2,750,000	-	-	2,750,000	-	750,000
I KS Tan	10,500,000	-	-	10,500,000	-	1,000,000
C B F Whitfield	1,000,000	-	-	1,000,000	-	-
A P Tse	1,000,000	-	-	1,000,000	-	-
K C Kwan	1,000,000	-	-	1,000,000	-	-
I J Polovineo	1,000,000	(1,000,000)**	-	-	-	-
X Ren	1,000,000	-	-	1,000,000	-	-
Y Zheng	1,500,000	-	-	1,500,000	-	-
M Spratt	-	-	1,000,000	1,000,000	-	-
S Wu	-	-	-	-	-	-
Other Key Management Personnel						
J A Sobolewski	2,200,000	-	-	2,200,000	-	450,000
T A Stark	3,800,000	-	-	3,800,000	-	2,050,000
A M Sheth	2,350,000	-	-	2,350,000	-	600,000
P M Tornatora	1,150,000	(250,000)*	-	900,000	-	-
D J Coutts	1,000,000	(1,000,000)**	-	-	-	-
J Liu	900,000	-	-	900,000	200,000	200,000
A L Meloncelli	2,000,000	-	-	2,000,000	1,000,000	1,000,000
Total options	36,400,000	(2,250,000)	1,000,000	35,150,000	1,200,000	6,800,000

* Exercised ** Forfeited

December 31, 2010

Name	Balance at the start of the year	Changes during the year	Granted during the year	Balance as the end of the year
(1) Shares				
Directors				
C L Readhead	3,805,556	-	-	3,805,556
R J Wanless	2,140,493	(100,000)	-	2,040,493
I KS Tan	1,200	(3,432,200)	3,500,000	69,000
C B F Whitfield	-	41,361	-	41,361
A P Tse	-	-	-	-
KC Kwan	-	-	-	-
I J Polovineo	-	-	-	-
X Ren	6,818,182	31,273,434	-	38,091,616
Y Zheng	6,818,182	31,273,434	-	38,091,616
Other Key Management Personnel				
J A Sobolewski	98,000	(1,398,000)	1,300,000	-
T A Stark	350,286	-	-	350,286
A M Sheth	40,000	(1,450,000)	1,450,000	40,000
P M Tornatora	250,000	(1,440,000)	1,250,000	60,000
A L Meloncelli	5,000	-	-	5,000
Total shares	20,326,899	54,768,029	7,500,000	82,594,928

9. KEY MANAGEMENT PERSONNEL DISCLOSURE (CONTINUED)

Equity instrument disclosures relating to key management personnel (continued)

Name	Balance at the start of the year	Exercised during the year	Granted during the year	Balance as the end of the year	Vested during the year	Vested and exercisable at 31 Dec 2010
(2) Options						
Directors						
C L Readhead	1,250,000	-	2,000,000	3,250,000	-	750,000
R J Wanless	1,250,000	-	1,500,000	2,750,000	-	750,000
I KS Tan	6,000,000	(3,500,000)	8,000,000	10,500,000	-	1,000,000
C B F Whitfield	-	-	1,000,000	1,000,000	-	-
A P Tse	-	-	1,000,000	1,000,000	-	-
KC Kwan	-	-	1,000,000	1,000,000	-	-
I J Polovineo	-	-	1,000,000	1,000,000	-	-
X Ren	-	-	1,000,000	1,000,000	-	-
Y Zheng	-	-	1,500,000	1,500,000	-	-
Other Key Management Personnel						
J A Sobolewski	2,500,000	(1,300,000)	1,000,000	2,200,000	-	450,000
T A Stark	2,800,000	-	1,000,000	3,800,000	-	2,050,000
A M Sheth	2,800,000	(1,450,000)	1,000,000	2,350,000	-	600,000
P M Tornatora	1,900,000	(1,250,000)	500,000	1,150,000	-	250,000
D J Coutts	-	-	1,000,000	1,000,000	-	-
A L Meloncelli	-	-	2,000,000	2,000,000	-	-
Total options	18,500,000	(7,500,000)	24,500,000	35,500,000	-	5,850,000

10. CONTINGENT ASSETS AND LIABILITIES

No contingent assets or liabilities have arisen during the year.

11. 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.

	Year ended December 31, 2011	Year ended December 31, 2010
Basic and diluted loss per share (cents)	(47.12)	(16.62)
Loss attributable to the ordinary shareholders of the Company	(131,921,415)	(29,583,330)
Weighted average number of shares		
Issued ordinary shares at beginning of the year	192,403,358	149,934,608
Effect of share options exercised	226,712	7,091,284
Effect of shares issued	87,362,986	21,009,337
Weighted average number of ordinary shares outstanding in year	279,993,056	178,035,229

All potentially dilutive instruments comprising the Convertible Bonds and employee share options were antidilutive in 2011 and 2010.

12. OPERATING SEGMENTS

In February 2010, the Group established a subsidiary in the People's Republic of China (PRC), which mainly engaged in the construction of the Jiangsu lithium carbonate plant. Since then, the Group has managed its businesses by geographic location, which resulted in two operating and reportable segments which consisted of Australian operation and the PRC 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.

- Australia operation includes the development of the Mt. Cattlin spodumene mine and exploration for minerals. Australia operation has existed throughout the year.
- China operation represents the construction of the Jiangsu lithium carbonate plant and was established in February 2010.

(a) Segment results and assets

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 bases:

Segment results are profit or loss before taxation which is measured by allocating revenue and expenses to the reportable segments according to geographic location which they arose in or related to.

Segment assets include property, plant and equipment, lease prepayment and exploration and evaluation assets. The geographical location of the segment assets is based on the physical location of the assets.

	For the twelve months ended December 31, 2011					
	Australia operation		China operation		Total	
	2011	2010	2011	2010	2011	2010
Depreciation and amoritsation	(4,445,182)	(121,733)	(124,832)	(48,192)	(4,570,014)	(169,925)
Finance income	5,978,536	8,905,729	211,013	116,329	6,189,549	9,022,058
Finance costs	(29,344,552)	(9,035,614)	(331,608)	(493,901)	(29,676,160)	(9,529,515)
Reportable segment loss before income tax	(129,695,790)	(26,981,810)	(2,960,593)	(2,601,520)	(132,656,383)	(29,583,330)
Other material non-cash items:						
Impairment loss on available-for-sale financial assets	(245,000)	(575,000)	-	-	(245,000)	(575,000)
Impairment on property, plant and equipment and intangible assets	(42,034,000)	-	-	-	(42,034,000)	-
Reportable segment assets	101,695,238	124,407,237	93,788,984	26,069,866	195,484,222	150,477,103
Additions to non-current segment assets during the period	(22,711,999)	102,492,012	67,719,118	26,069,866	45,007,119	128,561,878

(b) Reconciliations of reportable segment profit or loss, assets and liabilities

There were no inter-segment transactions from January to December 2011. Accordingly there are no reconciling items between reportable segment's loss and the Group's loss before tax.

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

	2011	2010
Assets		
Total assets for reportable segments	195,484,222	150,477,103
Available-for-sale financial assets	205,000	600,000
Other receivables and intangibles	14,496,814	6,888,938
Inventories	13,518,420	2,001,922
Restricted cash deposit	-	48,054,753
Cash and cash equivalents	17,996,933	27,509,567
Consolidated total assets	241,701,389	235,532,283

13. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2011	December 31, 2010
Group	**$**	**$**
Cost		
Land		
Balance at beginning of the year	1,172,000	932,000
Additions	-	240,000
Balance at end of the year	1,172,000	1,172,000
Plant and equipment		
Balance at beginning of the year	840,046	207,442
Additions	2,254,869	632,604
Transfer from assets under construction	119,631,781	-
Balance at end of the year	122,726,696	840,046
Assets under construction		
Balance at beginning of the year	126,177,244	7,304,818
Additions	83,849,115	118,872,426
Transfer to plant and equipment	(119,631,781)	-
Balance at end of the year	90,394,578	126,177,244
Development expenditure		
Balance at beginning of the year	17,378,199	12,410,078
Additions	329,537	3,630,552
Transfer from exploration and evaluation assets (note 15)	-	1,337,569
Balance at end of the year	17,707,736	17,378,199
Total Property, Plant and Equipment		
Balance at beginning of the year	145,567,489	20,854,338
Additions	86,433,521	123,375,582
Transfer from exploration and evaluation assets	-	1,337,569
Balance at end of the year	232,001,010	145,567,489
Accumulated depreciation and impairment Losses		
Land		
Balance at beginning and end of the year	-	-
Plant and equipment		
Balance at beginning of the year	169,497	39,166
Depreciation	4,177,954	130,331
Impairment loss	33,657,462	-
Balance at end of the year	38,004,913	169,497
Assets under construction		
Balance at beginning and end of the year	-	-
Development expenditure		
Amortisation	-	-
Depreciation	342,132	-
Impairment loss	8,376,538	-
Balance at end of the year	8,718,670	-
Total		
Balance at beginning of the year	169,497	39,166
Depreciation	4,520,086	130,331
Impairment loss	42,034,000	-
Balance at end of the year	46,723,583	169,497
Carrying amounts		
Land	1,172,000	1,172,000
Plant and equipment	84,721,783	670,549
Assets under construction	90,394,578	126,177,244
Development expenditure	8,989,066	13,378,199
Total property, plant and equipment	185,277,427	145,397,992

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment loss

The Company considers the Mt Cattlin mine and concentrator, together with the Jiangsu lithium carbonate plant (Mt Cattlin Lithium Project or "the project") as a single cash generating unit ("CGU") for the purpose of assessing impairment.

Due to increased ramp up and commissioning timeframes at Mt Cattlin together with increased capital costs of property, plant and equipment for the project and unfavourable foreign exchange rate movements during the half-year ended 30 June 2011 the Group tested the CGU for impairment. The Group have determined the recoverable amount of the CGU using a value in use methodology. The Group's value in use calculation is based on discounted cash flows for the projected life of the project of 17 years. A real post tax discount rate has been derived as a weighted cost of equity and debt. Cost of equity is calculated using ten year bond rates plus an appropriate market risk premium. The cost of debt is based on the yield on a 10 year BBB rated corporate bond. The real post tax discount rate for determining the CGU's recoverable amount was 13.6 percent. The pre-tax discount rate applied for impairment testing was 16.1%, which represents a pre-tax equivalent to the post-tax discount rate. For the term of the cash flows the Group has assumed 2 percent per annum real growth in lithium carbonate price, USD/AUD exchange rates varying from 0.96 to 1.05 and AUD/CNY exchange rates varying from 5.1 to 5.9 over the term of the cash flows.

The CGU recoverable amount assessment was particularly sensitive to the USD/AUD exchange rate whereby, with all other assumptions remaining equal, a 10% strengthening of the long term USD/AUD rate would lead to an impairment reduction of $41 million.

The resulting impairment charge of $42,034,000, recorded in the half-year ended 30 June 2011 has been recognised in profit or loss and allocated to the following asset classes within property, plant and equipment of the Australian operating segment:

- Development expenditure $8,376,538*
- Plant and equipment $33,657,462**

An assessment was made for indicators of further impairment as at 31 December 2011. It was determined that no indicators were present and therefore no further impairment charge has been recognised.

* Relates to historical exploration and development costs at the Mt Cattlin Project.
** Relates to pre-commencement operating costs at Mt Cattlin.

14. LEASE PREPAYMENT

	December 31, 2011	December 31, 2010
Group	$	$
Cost		
Balance at beginning of the year	2,873,250	-
Additions	-	2,873,250
Balance at end of the year	2,873,250	2,873,250
Accumulated amortisation		
Balance at beginning of the year	36,991	-
Amortisation	54,192	36,991
Balance at end of the year	91,183	36,991
Carrying amounts	2,782,067	2,836,259

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.

15. EXPLORATION AND EVALUATION ASSETS

	December 31, 2011	December 31, 2010
Group	$	$
Cost:		
Balance at beginning of the year	2,242,852	1,267,375
Acquisitions (a)	2,900,000	-
Additions	2,281,876	2,313,046
Less:		
Transfer to property, plant and equipment (note 13)	-	(1,337,569)
Balance at end of the year	7,424,728	2,242,852

(a) Within the period, the Group purchased 20% of the James Bay Project for 3 million Canadian dollars.

15. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

(b) Recoverability of the carrying amount of deferred exploration and evaluation assets is dependent on the successful commercial exploitation, or alternatively, sale of the respective area of interest.

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group	December 31, 2011 $	December 31, 2010 $
Equity securities listed in Australia, at fair value	205,000	600,000

As at December 31, 2011, 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 investees operated indicated that the cost of the Group's investment in them may not be recovered. As such, an impairment loss of $245,000 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. OTHER RECEIVABLES

Group	December 31, 2011 $	December 31, 2010 $
Current		
Other receivables (note 17(a))	10,603,924	2,756,712
Prepayments	66,808	1,723,936
Amounts capitalised for proposed Hong Kong listing	-	1,397,756
Others	57,880	57,880
	10,728,612	5,936,284
Non-Current		
Security bonds (note 17(b))	1,232,000	913,000
Other receivables and prepayments	2,536,202	39,654
	3,768,202	952,654
	14,496,814	6,888,938

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

(b) The non-current security bonds mainly relate to a restoration performance bond paid by the Group to the Australian government authorities to secure the Group's mining lease for the Mt. Cattlin spodumene mine. The bond is interest-bearing at 2.44%, unsecured and repayable once rehabilitation of the Mt. Cattlin spodumene mine is completed to the Western Australian Government's satisfaction.

18. CASH AND CASH EQUIVALENTS

Group	December 31, 2011 $	December 31, 2010 $
Current		
Cash at bank and on hand	17,996,933	27,509,567
	17,996,933	27,509,567

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 30.

18. CASH AND CASH EQUIVALENTS (CONTINUED)

Reconciliation of loss after tax to net cash inflow from operating activities:

	December 31, 2011	December 31, 2010
	$	$
Loss for the period	(131,921,415)	(29,583,330)
Adjustment for:		
Depreciation and amortisation	4,570,014	169,925
Net finance costs	23,486,611	507,457
Impairment	42,034,000	-
Share-based payments	8,940,786	11,219,220
	79,031,411	11,896,602
Change in receivables	(6,804,571)	(1,233,697)
Change in payables	11,841,427	4,757,093
Change in inventories	(11,516,498)	(2,001,922)
Change in prepayments	1,657,128	(1,698,869)
Change in provisions and employee benefits	379,038	1,190,121
	(4,443,476)	1,012,726
Net cash used in operating activities	(57,333,480)	(16,674,002)

19. RESTRICTED CASH DEPOSIT

Group	December 31, 2011	December 31, 2010
	$	$
Current		
Restricted cash deposit	-	5,220,082
Non-current		
Restricted cash deposit	-	42,834,671
	-	48,054,753

The restricted cash deposits of $48,054,753 at 31 December, 2010, were pledged as security pursuant to the terms of the China Development Bank Corporation and RB International Finance (Hong King) Limited loan facilities. The deposit is no longer restricted following the repayment of the loans.

20. TRADE AND OTHER PAYABLES

Group	December 31, 2011	December 31, 2010
	$	$
Trade payables	23,334,864	9,255,176
Other payables	3,576,518	2,826,669
Amounts due to Allion Legal Pty Ltd (note 28)	69,124	41,282
	26,980,506	12,123,127

Other payables mainly represented amounts owing for engineering and construction services and are expected to be settled within one year.

21. PROVISIONS

Group	December 31, 2011 $	December 31, 2010 $
Current		
Provision for annual leave	406,183	346,145
Balance at end of the year	406,183	346,145
Non-current		
Provision for rehabilitation	1,232,000	913,000
Balance at end of the year	1,232,000	913,000

22. INTEREST BEARING LIABILITIES

Group	December 31, 2011 $	December 31, 2010 $
Current		
Bank loan – Letter of Credit	-	7,636,968
Unsecured bank loan (note 22(b))	3,714,935	-
Balance at end of the year	3,714,935	7,636,968
Non Current		
Unsecured bank loan (note 22(a))	29,784,469	-
Secured bank loan (note 22(c))	-	91,078,868
Convertible Bonds (note 22(d))	66,068,191	32,000,000
Balance at end of the year	95,852,660	123,078,868

a) Facility with China Construction Bank (CCB) is an unsecured RMB fixed asset facility with a term of 3 years. The current interest rate is 6.4%. At balance date, 192.5m RMB of an approved 260m RMB was drawn down.78m RMB and 114m RMB are repayable in 2013 and 2014 respectively.

b) Facility with China Construction Bank (CCB) is an unsecured RMB working capital facility with a term of 1 year. At balance date, 24m RMB of an approved 114m RMB was drawn down. The current interest rate is 6.56%.

c) On September 10, 2010, the Group executed a loan facility agreement with China Development Bank Corporation and RB International Finance (Hong Kong) Limited of US$105,000,000 (the "Facility"). On September 22, 2010, the Facility was drawn down in full. Transaction costs of $12,729,737 that were directly attributable to the acquisition of the Facility have been capitalised into the cost of the Facility. This facility was repaid during 2011 with all previously capitalised transaction costs recognised through profit or loss.

d) On November 4, 2010 the Group entered into a Convertible Bond subscription Agreement to issue up to $61.5 million, 8% convertible bonds ("Bonds") maturing in November 2015. The Bonds are unsecured.

Interest is payable semi annually in arrears. Each Bond is convertible into fully paid ordinary shares of the Company at the reset price of $1.16. Subject to certain restrictions, a Bondholder is entitled to convert at any time until maturity date in November 2015. The conversion price will be subject to adjustment upon the occurrence of certain prescribed events including among others, consolidation, subdivision or reclassification of the Company's shares, capitalisation of profits or reserves, capital distributions (including dividends), rights issues, the grant of options over shares or other securities convertible into shares at less than 95% of the then current market price up until six months from the date of closing or at less than the market price thereafter (provided no adjustment shall be made for any initial public offering of shares on another stock exchange prior to June 30, 2011 if the offer price is greater than or equal to $1.16 or other anti dilution adjustment events). No adjustments to conversion price are to be made where dilution events occur as a result of issues to employees or Directors of the Company.

A Bondholder may, at the end of year 3, require the Company to redeem all, or some of the Bonds at their principal amount. The Company may redeem all (but not some) of the Bonds on issue from November 2013 at their principal amount where if for 20 out of 30 relevant trading days the share price exceeds 130% of the applicable conversion price or at any time 90% or more of the aggregated principal of the original Bonds issued has been converted or redeemed. The convertible bonds are recognised at fair value through profit or loss. Further information regarding valuation methodology is included in note 31(vi).

On November19, 2010, the Company issued the first tranche of the bonds being $32 million receving $29.69 million in net proceeds. On January 17, 2011, the Company issued the initial part of the second tranche of bonds being $10.5 million and on February 16, 2011, the Company issed the remaining second tranche of the bonds being $19 million.

23. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company has an employee share option scheme which was adopted on February 5, 2007 and approved by the shareholders on April 2, 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.

(a) The terms and conditions of the share options that existed during the year are as follows:

(i) Options granted to directors

Grant date	Options Classes	Number of instruments	Vesting conditions	Non-vesting conditions	Contractual life of option	Market value per share at date of grant of options
27/11/2008	A	500,000	Fully vested	Each option shall vest on completion of the Company securing all necessary debt and equity funding for the development of the Mt Cattlin project	3 years from the grant date	$0.43
27/11/2008	B	500,000	Fully vested	Each option shall vest on achievement of commercial production of lithium concentrate at the Mt Cattlin project at the nameplate rate specified in the bankable feasibility study for that project	3 years from the grant date	$0.43
27/11/2008	C	500,000	Fully vested	Each option shall vest once the Company achieves a positive earnings before interest and tax from production of lithium carbonate and concentrate from its Mt Cattlin project	3 years from the grant date	$0.43
2/04/2009	D1	3,000,000	Fully vested	Each option shall vest on completion of the Company securing all necessary debt and equity funding for the development of the Mt Cattlin project	5 years from satisfaction of non-vesting conditions	$0.39
2/04/2009	E1	2,500,000	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	$0.39
14/10/2009	G1	3,000,000	Fully vested	Each option will be issued on completion of the Company securing all necessary debt and equity funding for the development of the Jiangsu lithium carbonate plant	5 years from satisfaction of non-vesting conditions	$1.92

23. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) The terms and conditions of the share options existed during the year are as follows (continued):

(i) Options granted to directors (continued)

Grant date	Options Classes	Number of instruments	Vesting conditions	Non-vesting conditions	Contractual life of option	Market value per share at date of grant of options
04/06/2010	J	3,000,000	Completion of 18 months of service from date of grant and increase shareholder returns by 68% measured by 5 day volume-weighted-average-price being greater than $2.00 per share	None	5 years from the vesting date	$1.06
22/12/2010	K1	15,000,000	Latest to occur of completion of 12 months service from 13 October 2010, the Company listing on the Stock Exchange of Hong Kong Ltd, and the Company's share price being greater than A$2 based on the 10 day VWAP.	None	5 years from the vesting date	$1.40
16/05/2011	K3	2,000,000	Latest to occur of completion of 12 months service from 13 October 2010, successful listing on Stock Exchange of Hong Kong Ltd, and Company's share price being greater than A$2.00 based on 10 day VWAP	None	5 years from the vesting date	$1.01

(ii) Options granted to third parties

Grant date	Options classes	Number of instruments	Vesting conditions	Non-vesting conditions	Contractual life of option	Market value per share at date of grant of options
29/06/2007	**Advisor 1**	750,000	Vested immediately	None	Expire on January 30, 2010	$0.66
04/06/2010	**Advisor 2**	1,000,000	Vested immediately	None	Expire on June 30, 2012	$1.02

The Company granted 750,000 share options to the financial advisors who sponsored the Company's initial public offering on the ASX as part of the compensation for their professional services provided.

The Company granted 1,000,000 share options to a consultant advisor as part of the compensation for the professional services provided.

23. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) The terms and conditions of the share options existed during the year are as follows (continued):

(iii) Options granted to employees

Grant date	Options Classes	Number of instruments	Vesting conditions	Non-vesting conditions	Contractual life of option	Market value per share at date of grant of options
17/04/2009	D2	4,100,000	Fully vested	Each option shall vest on completion of the Company securing all necessary debt and equity funding for the development of the Mt Cattlin project	5 years from satisfaction of non-vesting conditions	$0.43
17/04/2009	E2	2,850,000	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	$0.43
17/04/2009	F	750,000	Fully vested	None	5 years from the grant date	$0.43
14/10/2009	D3	1,250,000	Fully vested	Each option shall vest on completion of the Company securing all necessary debt and equity funding for the development of the Mt Cattlin project	5 years from satisfaction of non-vesting conditions	$1.92
23/11/2009	G2	4,000,000	Fully vested	Each option will be issued on completion of the Company securing all necessary debt and equity funding for the development of the Jiangsu lithium carbonate plant	5 years from satisfaction of non-vesting conditions	$1.60
10/03/2010	E3	850,000	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	$1.24
10/03/2010	H	2,200,000	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	$1.24
10/03/2010	I	3,600,000	Completion of 18 months of employment	None	5 years from the vesting date	$1.24
22/12/2010	K2	14,800,000	Latest to occur of completion of 12 months service from October 13, 2010, the Company listing on the Stock Exchange of Hong Kong Ltd, and the Company's share price being greater than A$2 based on the 10 day VWAP.	None	5 years from the vesting date	$1.40

23. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) The terms and conditions of the share options existed during the year are as follows (continued):

(iii) Options granted to employees (continued):

Grant date	Options Classes	Number of instruments	Vesting conditions	Non-vesting conditions	Contractual life of option	Market value per share at date of grant of options
24/03/2011	L	3,650,000	Latest to occur of completion of 18 months service from 24 February 2011, successfully listing on Stock Exchange of Hong Kong Ltd, and Company's share price being greater than A$2.00 based on a 10 day VWAP.	None	3 years from the vesting date	$1.33

(b) The number and weighted average exercise prices of share options are as follows:

	Year ended December 31, 2011		Year ended December 31, 2010	
	Weighted average exercise price $	Number of options '000	Weighted average exercise price $	Number of options '000
Outstanding at the beginning of the year	0.66	51,950	0.62	22,969
Exercised during the year	0.60*	(250)	0.63	(11,469)
Forfeited during the year	1.15	(6,050)	-	-
Expired during the year	-	-	-	-
Granted during the year	1.16	5,650	1.13	40,450
Outstanding at the end of the year	1.02	51,300	0.66	51,950
Exercisable at the end of the year	0.82	10,500	0.67	4,818

* The weighted average share price at the date of exercise for share options exercised during the year was $1.60 (2010; $1.32)

23. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

c) 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 a 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.

Fair value of share options and assumptions per class issued	D1	D2	D3	E1	E2	F	G1	G2	E3	H	I	J	Advisor 2
Fair value at grant date	0.29	0.33	1.41	0.29	0.33	0.33	1.41	0.92	1.00	1.00	1.03	0.77	0.64
Share price at grant date	0.39	0.43	1.92	0.39	0.43	0.43	1.92	1.60	1.24	1.24	1.24	1.06	1.02
Exercise price ($)	0.60	0.60	0.60	0.60	0.60	0.45	0.60	0.90	1.11	1.11	1.11	0.96	1.00
Expected volatility (%) (weighted average volatility)	101.60	101.30	99.60	101.60	101.30	101.30	99.60	99.13	97.00	97.00	97.00	97.00	92.00
Option life (years)	5.7	5.6	1.0	5.6	5.6	5.0	1.0	1.0	5.6	5.6	6.5	6.5	2.1
Expected dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk-free interest rate (%) (based on government bonds)	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.50	6.50	6.50	6.50	6.50
Probability applied to the non-vesting conditions	30%	30%	100%	10%	10%	100%	100%	100%	80%	60%	70%	N/A	100%

Fair value of share options and assumptions per class issued	K1	K2	K3	L
Fair value at grant date	0.94	0.94	0.29	0.52
Share price at grant date	1.35	1.35	1.06	1.33
Exercise price ($)	1.16	1.16	1.16	1.16
Expected volatility (%) (weighted average volatility)	70.00	70.00	70.00	70.00
Option life (years)	6.00	6.00	6.13	4.42
Expected dividends	-	-	-	-
Risk-free interest rate (%) (based on government bonds)	5.43	5.43	5.19	5.13
Probability applied to the non-vesting conditions	N/A	N/A	N/A	N/A

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.

23. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(c) Fair value of share options and assumptions (continued)

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.

24. INVENTORIES

	December 31, 2011 $	December 31, 2010 $
Current		
Stores	2,124,363	2,001,922
Work in progress - spodumene	11,394,057	-
Carrying amount of inventories	13,518,420	2,001,922

Stores inventory is carried at cost. WIP is presented at net realisable value (NRV). Write-downs of inventory to NRV are included in mine operating expenses.

25. CAPITAL AND RESERVES

a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity.

b) Share capital

i) Authorised and issued share capital

	December 31, 2011 $	December 31, 2010 $
Authorised:		
Ordinary shares at no par value	271,457,219	128,419,427
Ordinary shares, issued and fully paid		
Balance at the beginning of the year	128,419,427	88,834,372
Issue of shares	150,000,000	27,280,000
Exercise of share options via equity-settled share-based transactions	150,000	7,235,625
	278,569,427	7,235,625
Transfer from equity-settled payment reserve upon exercise/cancellation of share options	18,929	6,755,718
Transaction costs	(7,131,137)	(1,686,288)
Balance at the end of the year	271,457,219	128,419,427
	Number of Shares	**Number of Shares**
Authorised:		
Ordinary shares at no par value	323,327,000	192,403,358
Ordinary shares, issued and fully paid		
Balance at the beginning of the year	192,403,358	149,934,608
Issue of shares	130,673,642	31,000,000
Exercise of options (equity-settled share-based transactions)	250,000	11,468,750
Balance at the end of the year/period	323,327,000	192,403,358

25. CAPITAL AND RESERVES (CONTINUED)

b) Share capital (continued)

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.

ii) Shares issued under share option scheme

Particulars of shares exercised under share option scheme during the year and the prior year are as follows. All of the shares issued were ordinary.

Options exercised by directors:

Date of exercise	Number of shares issued	Transfer from equity settled payment reserve to share capital	Consideration recognised in share capital
January 20, 2010	18,750	3,318	5,625
February 4, 2010	500,000	17,987	150,000
March 10, 2010	250,000	8,993	100,000
March 22, 2010	500,000	17,987	200,000
April 9, 2010	250,000	8,993	100,000
April 29, 2010	500,000	32,714	300,000
April 29, 2010	2,000,000	2,757,871	1,200,000
November 11, 2010	1,000,000	65,429	600,000
December 31, 2010	500,000	17,987	200,000
Total	**5,518,750**	**2,931,279**	**2,855,625**

Options exercised by employees:

Date of exercise	Number of shares issued	Transfer from equity settled payment reserve to share capital	Consideration recognised in share capital
January 7, 2010	100,000	86,486	90,000
January 12, 2010	200,000	172,973	180,000
January 15, 2010	200,000	172,973	180,000
January 20, 2010	200,000	172,973	180,000
April 29, 2010	1,650,000	124,933	990,000
April 29, 2010	2,000,000	1,729,725	1,800,000
April 29, 2010	1,250,000	1,337,877	750,000
November 8, 2010	350,000	26,501	210,000
February 3, 2011	250,000	18,929	150,000
Total	**6,200,000**	**3,843,370**	**4,530,000**

25. CAPITAL AND RESERVES (CONTINUED)

b) Share capital (continued)

iii) Terms of unexpired and unexercised share options at each balance sheet date

Options issued to directors:

Exercise period	Exercise price	December 31, 2011 Number	December 31, 2010 Number
November 26, 2009 to November 26, 2014	$0.60	-	1,500,000
November 26, 2009 to November 26, 2014	$0.60	-	1,000,000
Not exercisable until satisfaction of non-vesting conditions	$0.60	-	2,500,000
Not exercisable until satisfaction of vesting conditions	$1.11	-	3,000,000
Not exercisable until satisfaction of vesting conditions	$1.16	2,000,000	15,000,000
Total		**2,000,000**	**23,000,000**

Options issued to employees:

Exercise period	Exercise price	December 31, 2011 Number	December 31, 2010 Number
April 17, 2009 to April 17, 2014	$0.45	-	750,000
November 26, 2009 to November 26, 2014	$0.60	-	2,100,000
November 26, 2009 to November 26, 2014	$0.90	-	800,000
Not exercisable until satisfaction of non-vesting conditions	$0.60	-	2,850,000
Not exercisable until satisfaction of non-vesting conditions	$1.11	-	850,000
Not exercisable until satisfaction of non-vesting conditions	$1.11	-	2,200,000
Not exercisable until satisfaction of vesting conditions	$1.11	-	3,600,000
Not exercisable until satisfaction of vesting conditions	$1.16	3,650,000	14,800,000
Total		**3,650,000**	**27,950,000**

Options issued to third parties:

Exercise period	Exercise price	December 31, 2011 Number	December 31, 2010 Number
June 4, 2010 to June 30, 2012	$1.00	-	1,000,000

c) Nature and purpose of reserves

i) 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 of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 3(p).

ii) 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(o).

iii) 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.

25. CAPITAL AND RESERVES (CONTINUED)
(d) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. 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.

	2011 $	2010 $
Total liabilities	128,186,284	144,098,108
Less: cash and cash equivalents	(17,996,933)	(27,509,567)
Net debt	110,189,351	116,588,541
Total equity	113,515,105	91,434,175
Net debt to equity ratio at 31 December	0.97	1.27

During the year, the Group have maintained the capital base through 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.

26. PARENT ENTITY DISCLOSURE

As at, and throughout the financial year ended December 31, 2011, the parent company of the Group was Galaxy Resources Limited.

Result of the parent entity	**December 31, 2011 $**	**December 31, 2010 $**
Loss for the year	(44,646,784)	(31,997,684)
Other comprehensive income/(loss)	(150,000)	150,000
Total comprehensive income for the year	(44,796,784)	(31,847,684)

Financial Position of parent entity at year end	**December 31, 2011 $**	**December 31, 2010 $**
Current Assets	12,298,556	17,419,773
Total Assets	270,199,272	128,279,326
Current Liabilities	(2,890,523)	(2,568,630)
Total Liabilities	(68,958,714)	(34,568,630)

Total equity of the parent entity comprising of:	**December 31, 2011 $**	**December 31, 2010 $**
Contributed Equity	271,457,219	128,419,427
Reserves	22,123,341	14,043,621
Accumulated losses	(92,340,002)	(48,752,352)
Total Equity	201,240,558	93,710,696

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.

27. COMMITMENTS

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

i) 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:

Group	December 31, 2011 $	December 31, 2010 $
Within one year	613,300	606,180

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.

ii) Construction contract commitments

Group	December 31, 2011 $	December 31, 2010 $
Contracted for	23,890,278	27,893,048

It includes various capital commitments for property, plant and equipment as at each balance sheet date.

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

Group	December 31, 2011 $	December 31, 2010 $
Within one year	397,413	354,639
More than one year but less than five years	135,524	443,163
	532,937	797,802

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.

28. RELATED PARTY TRANSACTIONS

Key management personnel and director transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

28. RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel and director transactions (continued)

Related party	Type of transaction	Note	Year ended December 31, 2011	Year ended December 31, 2010
Allion Legal Pty Ltd	Legal consulting	26(a)	477,670	527,599
Creat Resources Holdings Ltd	Commission	26(b)	-	97,658
Marvel Link Group Limited	Commission	26(c)	-	2,157,970
Creat Group (HK) Ltd	Interest	26(d)	-	155,179
David Michael Spratt	Consulting fees	26(e)	64,000	-

(a) Allion Legal Pty Ltd is a related party being an entity over which Mr Craig Leslie Readhead has the capacity to exercise significant influence. Mr Readhead was the Chairman of the Company during the year.
(b) Creat Resources Holdings Ltd "CRHL" is a major shareholder of the Company with 11.78% equity interest in the Company. Two Galaxy Directors are also Directors of CRHL, namely Mr Xiaojian Ren and Dr Yuewen Zheng.
(c) Marvel Link Group Limited is a related entity to CRHL and received commission on behalf of CRHL for facilitating the Group obtaining the Senior Loan Facility.
(d) Creat Group (HK) Ltd is related to CRHL and received interest for guaranteeing a Letter of Credit.
(e) David Michael Spratt consulting fees relate to work done on the commissioning of the Jiangsu lithium plant outside of his role as a director.

The directors of the Company are of the opinion that the above related party transactions were conducted on terms no less favourable to the Group than terms available to or from independent third parties, and in the ordinary course of business.

Apart from the amounts due to Allion Legal Pty Ltd as at December 31, 2010 and December 31, 2011 as disclosed in note 20, there were no outstanding balances relating to the above transactions at each balance sheet date.

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and other key management personnel as disclosed in note 9 and certain of the highest paid employees as disclosed in note 9, is as follow:

	Year ended December 31, 2011	Year ended December 31, 2010
Salaries and other short-term emoluments	3,954,375	2,118,950
Contributions to retirement benefit schemes	252,815	158,577
Share-based payments	5,376,372	5,593,359
	9,583,562	7,870,886

Total remuneration is included in "staff costs" (see note 6(b)).

Key management personnel disclosure

a) Directors

The following persons were directors of Galaxy Resources Limited during the financial year:

(i) Chairman – non-executive

Craig Readhead

(ii) Executive directors

Ignatius Tan

Charles Whitfield

Anthony Tse

(iii) Non- executive directors

Robert Wanless

Kai Cheong Kwan

Ivo Polovineo - Resigned 2 September 2011

Xiaojian Ren

28. RELATED PARTY TRANSACTIONS (CONTINUED)
Key management personnel disclosure (continued)
a) Directors (continued)
(iii) Non- executive directors (continued)

Yuewen Zheng

Michael Spratt – Appointed 11 February 2011

Shaoqing Wu – Appointed 24 February 2011

b) Other key management personnel

John Sobolewski (CFO)

Terry Stark (GM Operations)

Anand Sheth (GM Marketing & Business Development)

Phil Tornatora (Exploration & Geology Manager)

Duncan Coutts (GM Development) – Resigned 16 September 2011

Jingyuan Liu (GM Development)

Andrew Meloncelli (Company Secretary)

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	Particulars of issued/registered/ paid up capital	Proportion of ownership interest as at December 31, 2011	Proportion of ownership interest as at December 31, 2010	Principal activity
Galaxy Lithium Australia Limited	Australia	Limited company	1 share of $1 each	100%	100%	Mining of Mt Cattlin spodumene
Galaxy Lithium Pty Ltd *	Australia	Limited company	1 share of $1 each	100%	N/A	Dormant
Galaxy Lithium International Limited	Hong Kong	Limited company	474,548,500 shares of HK$1 each	100%	100%	Investment holding company
Galaxy Lithium (Jiangsu) Co., Limited	The PRC	Limited company	US$50 million	100%	100%	Operations of Jiangsu lithium carbonate plant
Galaxy Lithium (Canada) Incorporated **	Canada (Quebec)	Limited company	3,500,100 shares of C$1 each	100%	N/A	Exploration of James Bay spodumene deposits
Galaxy Lithium Holdings BV ***	The Netherlands	Limited company	2,593,500 shares of €1 each	100%	N/A	Investment holding company
Galaxy Lithium (US) Incorporated ****	United States (Delaware)	Limited company	100 shares of USD$0.01 each	100%	N/A	Investment holding company

* Galaxy Lithium Pty Ltd was incorporated in Australia on September 15, 2011.
** Galaxy Lithium (Canada) Incorporated in Canada on January 18, 2011.
*** Galaxy Lithium Holdings BV was incorporated in the Netherlands on January 27, 2011.
**** Galaxy Lithium (US) Incorporated in United States on January 21, 2011.

28. RELATED PARTY TRANSACTIONS (CONTINUED)

Investments in subsidiaries

Company	**December 31, 2011** $	**December 31, 2010** $
Unlisted share - at cost	1	1

29. NON-ADJUSTING POST BALANCE SHEET EVENTS

Subsequent to December 31, 2011 and up to the date of this report, the following event has occurred:

- On February 13, 2012, 8,550,000 ESOP options were issued. These options were exercisable at $1.16.

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.

30. FINANCIAL RISK MANAGEMENT

The Group have exposure to the following risks from their 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 GST receivable from the Australian federal government. 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 December 31, 2011, 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 $245,000 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).

30. FINANCIAL RISK MANAGEMENT

(a) Credit risk (continued)

Exposure to credit risk

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

	Note	Carrying amount 2011	Carrying amount 2010
Financial assets classified as available for sale	16	205,000	600,000
Other receivables		11,969,573	3,767,246
Cash and cash equivalents	18	17,996,933	27,509,567
Restricted cash deposits	19	-	48,054,753
		30,171,506	79,931,566

(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.

Typically the Group ensures that it has sufficient cash and cash equivalents to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations.

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

Group

December 31, 2011

	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 $
Other payables	26,980,506	26,980,506	26,980,506	-	-	-
Unsecured bank loan	33,499,404	37,770,283	5,908,551	13,616,425	18,245,306	-
Convertible bonds	66,068,191	78,720,000	4,920,000	4,920,000	68,880,000	-
	126,548,101	143,470,789	37,809,057	18,536,425	87,125,306	-

Group

December 31, 2010

	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 $
Other payables	12,123,127	12,123,127	12,123,127	-	-	-
Secured bank loan	91,078,868	122,572,605	7,324,994	25,141,028	69,148,567	20,958,016
Convertible bonds	32,000,000	44,800,000	2,560,000	2,560,000	39,680,000	-
Bank loan – letter of credit	7,636,968	7,764,592	7,764,592	-	-	-
	142,838,963	187,260,324	29,772,713	27,701,028	108,828,567	20,958,016

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

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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, HKD and RMB.

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.

	December 31, 2011					December 31, 2010		
Group	**USD**	**HKD**	**RMB**	**CAD**	**Euro**	**USD**	**HKD**	**RMB**
Cash and cash equivalents	4,943,958	316,406	160,085	28,253	6,231	17,148,881	16,796	28,981
Restricted cash deposit	-	-	-	-	-	48,054,753	-	-
Other receivables	3,971	-	8,642,038	96,460	-	-	-	1,723,936
Interest bearing liabilities	-	-	(33,499,404)	-	-	(98,715,837)	-	-
Balance sheet exposure	4,947,929	316,406	(24,697,281)	124,713	6,231	(33,512,203)	16,796	1,752,917

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
AUD	**2011**	**2010**	**2011**	**2010**
US 1	0.968	1.088	0.964	0.984
euro 1	1.348	N/A	1.273	N/A
CAD 1	0.979	N/A	0.983	N/A
CNY 1	0.150	0.161	0.155	0.149
HKD 1	0.124	0.140	0.127	0.126

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.

	December 31, 2011		December 31, 2010	
Effect in Australian dollars	**Equity**	**Loss for the period**	**Equity**	**Loss for the period**
USD	(494,793)	(494,793)	3,351,220	3,351,220
HKD	(31,641)	(31,641)	(1,680)	(1,680)
RMB	-	-	(175,292)	(175,292)

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	**December 31, 2011**	**December 31, 2010**
Cash and cash equivalents	17,996,933	27,509,567
- Interest rate	0% to 4%	0% to 5%
Interest bearing liabilities	99,567,595	130,715,836
- Interest rate	6.4% to 8%	SIBOR + 4.5% to 8%

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk (continued)

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 December 31, 2011	Year Ended December 31, 2010
Increase of 100 basis points	155,025	712,063
Decrease of 100 basis points	(155,025)	(712,063)

(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 22(d).

Group	December 31, 2011		December 31, 2010	
	Level 1	Level 3	Level 1	Level 3
Available-for-sale financial assets	205,000	-	600,000	-
Financial liabilities at fair value through the profit and loss	-	66,068,191	-	32,000,000

The following table shows a 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 2011	Financial liabilities at fair value through the profit and loss 2010
Balance at 1 January 2011	**32,000,000**	-
Additions: CB tranches issued	29,500,000	32,000,000
Valuation adjustments recognised in profit or loss	4,568,191	-
Balance at 31 December 2011	**66,068,191**	**32,000,000**

(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.

31. 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).

31. ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(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, 2004 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 31(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) Site restoration liability

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(l)), 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.

(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. The share based payment expense relating to tranches K and L options is dependent on Management's estimation of the probability and timing of a Hong Kong listing proceeding, which is a non-market performance condition (refer note 23 for details).

31. ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(b) Estimates and assumptions (continued)

(v) Share based payments (continued)

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 22(d).

32. 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 their financial reports. 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 2011 is set out as follows:

Consolidated Statement of Comprehensive Income

	Year ended December 31, 2011
	$
Revenue	13,813,940
Mine operating expenses	(27,531,697)
Staff costs	(5,948,269)
Share based payments	(8,940,786)
Administration expenses	(17,707,588)
Impairment of mining property, plant and equipment	(42,034,000)
Depreciation and amortisation	(4,445,182)
Loss from operations	**(92,793,582)**
Finance income	5,947,346
Finance costs	(29,329,317)
Net finance costs	**(23,381,971)**
Loss before taxation	**(116,175,553)**
Income tax	734,968
Loss for the year	**(115,440,585)**

32. DEED OF CROSS GUARANTEE (CONTINUED)
Consolidated Balance Sheet

	December 31, 2011
	$
NON-CURRENT ASSETS	
Property, plant and equipment	94,270,510
Exploration and evaluation assets	3,691,375
Available-for-sale financial assets	205,000
Other receivables and prepayments	11,055,964
Investments in subsidiaries	64,373,994
TOTAL NON-CURRENT ASSETS	**173,596,843**
CURRENT ASSETS	
Other receivables and prepayments	14,218,380
Inventories	3,622,347
Cash and cash equivalents	12,521,723
TOTAL CURRENT ASSETS	**30,362,450**
TOTAL ASSETS	**203,959,293**
NON-CURRENT LIABILITIES	
Provisions	1,232,000
Interest bearing liabilities	66,068,191
TOTAL NON-CURRENT LIABILITIES	**67,300,191**
CURRENT LIABILITIES	
Trade and other payables	11,568,204
Provisions	406,183
TOTAL CURRENT LIABILITIES	**11,974,387**
TOTAL LIABILITIES	**79,274,578**
NET ASSETS	**124,684,715**
CAPITAL AND RESERVES	
Share capital	271,457,219
Reserves	12,903,230
Accumulated Losses	(159,675,734)
TOTAL EQUITY	**124,684,715**

DIRECTORS' DECLARATION

For The Year Ended December 31, 2011

In the opinion of the Directors of Galaxy Resources Limited:

(a) the financial statements and notes and the remuneration disclosures that are contained in the Remuneration Report in the Directors Report set out on pages 40 to 48 are in accordance with the Corporations Act 2001 including:

i. giving a true and fair view of the financial position of the Group as at December 31, 2011 and of its performance for the financial year January 1, 2011 to December 31, 2011; and

ii complying with Australian Accounting Standards (including the Australian Accounting Standards Interpretations) 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.

(c) there are reasonable grounds to believe that the Company and the group entities identified in note 32 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.

(d) 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, 20th day of March 2012.

I KS Tan
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 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the 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 Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group 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. These Auditing 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 entity's preparation of the financial report that gives a true and fair view 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

KPMG, an Australian partnership and a member firm of the KPMG network
of independent member firms affiliated with KPMG International, a Swiss cooperative.

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is 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 2011 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2011. 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Galaxy Resources Limited for the year ended 31 December 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Trevor Hart
Partner

Perth

20 March 2012

ASX SHAREHOLDER INFORMATION

1. Share Holding at March 13, 2012

(a) Distribution of Shareholders

Share holding	Number of Holders Fully paid ordinary shares
1 - 1,000	1,550
1,001 - 5,000	3,582
5,001 - 10,000	1,725
10,001 - 100,000	2,239
100,001 - over	184
	9,280

(b) Unmarketable Parcels
There are 697 shareholders who hold less than a marketable parcel.

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

(d) Names of Substantial Holders

Shareholder	Number of Shares
M&G Investment Management Limited	45,351,743
Creat Resources Holdings Limited	38,091,616
The Vanguard Group	23,713,638
Fengli Group (Hong Kong) Co Ltd	21,582,733

2. Top Twenty Shareholders at March 13, 2012

	Shareholder	Number of Shares	% Issued Capital
1.	Creat Resources Holdings Limited	38,091,616	11.78
2.	HSBC Custody Nominees (Australia) Limited	34,578,817	10.69
3.	J P Morgan Nominees Australia Limited	33,651,730	10.41
4.	Fengli Group (Hong Kong) Co Ltd	21,582,733	6.68
5.	National Nominees Limited	9,167,317	2.84
6.	J P Morgan Nominees Australia Limited <Cash Income A/C>	8,139,092	2.52
7.	Ademsa Pty Ltd	7,577,120	2.34
8.	Cape Bouvard Equities Pty Ltd	6,363,636	1.97
9.	Credit Risk Management Services Pty Ltd	5,900,000	1.82
10.	Super Raya International Limited	4,565,767	1.41
11.	UBS Wealth Management Australia Nominees Pty Ltd	4,188,001	1.30
12.	Equity Trustees Limited <SGH PI Smaller Cos Fund>	3,900,406	1.21
13.	Hengolo Pty Ltd / Craig Readhead	3,805,556	1.17
14.	Citicorp Nominees Pty Ltd	3,477,901	1.08
15.	N K WA Pty Ltd <N K Unit A/C>	2,500,000	0.78
16.	HSBC Custody Nominees (Australia) Limited	2,424,643	0.75
17.	Robert Wanless / Ruebellite Investments Pty Ltd	2,008,493	0.62
18.	Mineral Administration Services Pty Ltd	1,294,841	0.40
19.	Charles Longworth	1,132,222	0.35
20.	Yeun Shing Ying and Ying Isabella Zhong	1,000,000	0.30
		195,349,891	60.42

ASX SHAREHOLDER INFORMATION

3. Distribution of Unlisted Options

Distribution	45 cent	60 cent	90 cent	96 cent	$1.00	$1.11	$1.16
1 - 1,000							
1,001 – 5,000							
5,001 – 10,000							
10,001 – 100,000							218
100,001 - over	1	8	1	3	1	13	36
Total Holders	**1**	**8**	**1**	**3**	**1**	**13**	**254**
Total Units	**750,000**	**9,700,000**	**800,000**	**3,000,000**	**1,000,000**	**5,500,000**	**39,100,000**

4. Restricted Securities

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

5. On Market Buy-back

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

TENEMENT SCHEDULE

Project	Tenement	Notes
Boxwood Hill	E70/2493	
	E70/2513-E70/2514	
	E70/2547	
Connolly	E69/1878	
Ponton	E28/1317	
	E28/1830	
Shoemaker	E69/1869-1871	20% Interest with General Mining Corporation.
Ravensthorpe		
Aerodrome	E74/334	
	E74/398	
Bakers Hill	E74/287	
	E74/295	
	E74/299	
	E74/415	
	P74/278	
	P74/336	
Floater	E74/400	
	P74/307-P74/308	
McMahon	M74/165	
	M74/184	
	P74/334	
Mt Cattlin	L74/46	
	M74/244	
Sirdar	E74/401	80% Interest with Traka Resources.
	P74/309-P74/310	80% Interest with Traka Resources.
West Kundip	M74/133	
	M74/238	
James Bay	Various	20% Interest with Lithium One Inc.

Corporate Directory

ABN: 11 071 976 442
SECURITIES EXCHANGE LISTING
ASX Code: GXY

CORPORATE AND MEDIA
ENQUIRIES: ir@galaxylithium.com

EXECUTIVE DIRECTORS:
Ignatius Tan, Managing Director
Anthony Tse
Charles Whitfield

NON-EXECUTIVE DIRECTORS:
Craig Readhead, Chairman
Xiaojian Ren
Yuewen Zheng (May Chen - Alternate Director)
Shaoqing Wu (Richard Shi - Alternate Director)

INDEPENDENT NON-EXECUTIVE DIRECTORS:
Robert Wanless
Kai Cheong Kwan
Michael Spratt

SECRETARIES:
Andrew Meloncelli
Ella Wong (Hong Kong)

SHARE REGISTRY:
Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace PERTH WA 6000
AUSTRALIA
T: 1300 557 010 (within Australia)
T: +61 3 9415 5000 (outside Australia)
F: +61 8 9323 2033
www.computershare.com

AUDITORS:
KPMG Chartered Accountants
235 St Georges Terrace PERTH WA 6000
AUSTRALIA

LEGAL COUNSEL TO THE COMPANY:
Allion Legal Pty Ltd
Level 2, 50 Kings Park Road WEST PERTH WA 6005
T +61 8 9216 7100 F +61 8 9324 1075

GALAXY RESOURCES LIMITED
ABN: 11 071 946 442
Level 2/16 Ord Street
West Perth, Western Australia 6005
PO Box 1136 West Perth, WA 6872
Tel: +61 8 9215 1700
Fax: +61 8 9215 1799
Email: sales@galaxylithium.com
www.galaxylithium.com

MT CATTLIN OPERATIONS:
Mt Cattlin, Lake King, Ravensthorpe Hwy
Western Australia 6346
PO Box 428, Ravensthorpe, WA 6346

PLANT:
GALAXY LITHIUM (JIANGSU) CO., LTD
No.5 Dongxin Rd
Yangtze River International Chemical Industry Park
Zhangjiagang, Jiangsu Province, PRC 215634
Tel: +86 512 5636 1300
Fax: +86 512 5636 1309