



Galaxy Resources Limited
ABN 11 071 976 442

**Consolidated
Interim Financial Report**
(presented in Australian dollars)

**For the Half Year Ended
June 30, 2014**

Table of Contents

Review of Operations	3
Directors' Report	6
Auditor's Independence Declaration	8
Consolidated Statement of Comprehensive Income	9
Consolidated Statement of Financial Position	10
Consolidated Statement of Changes in Equity	11
Consolidated Statement of Cash Flows	12
Notes to the Consolidated Interim Financial Statements	13
Directors' Declaration	23
Independent Auditor's Review Report	24
Corporate Directory	26

Review of Operations

Galaxy Resources Limited – Review of Operations

- Jiangsu Sale Update
- Unmarketable Share Sale Facility Launched
- Progress of Development of Sal De Vida

Corporate

Jiangsu Sale Update

On 30 April 2014 the Company announced a binding Share Purchase Agreement with Sichuan Tianqi Lithium Industries (STLI) for the sale of Galaxy Lithium International Limited, the entity which holds the Jiangsu Lithium Carbonate plant. The sale of the Jiangsu Plant is based on an enterprise value of US\$230 million, with STLI assuming US\$108 million of Chinese bank debt at Galaxy Jiangsu and a cash component of US\$122 million, before any working capital adjustments, for the balance. On 13 May 2014 the shareholders of STLI approved the payment of US\$12.2 million representing 10% of the cash component by way of a deposit for the purchase. The deposit was received on 20 May 2014. On 20 June 2014, at an EGM, Galaxy shareholders voted overwhelmingly in support of the sale transaction. The transaction continues to proceed through regulatory approval in the PRC, subsequent to which STLI will still be required to call a shareholder's meeting which requires a minimum 20 days' notice to approve the acquisition of Jiangsu. Accordingly the Company expects that the sale transaction will close during October 2014.

On 28 July 2014, Galaxy Resources Limited (GXY), through its wholly-owned subsidiary Galaxy Lithium Australia Limited (GLAL) entered into an agreement with Tianqi Group HK Co., Limited (Tianqi), (Contingent Loan Agreement), for the provision by Tianqi to GLAL of a "US\$30 million" non-amortising bullet term loan facility (Loan Facility). On 8 August 2014, GLAL drew down US\$15 million under the Loan Facility and drew down the remaining US\$15 million in September 2014.

Under the Contingent Loan Agreement, interest accrues on the outstanding amount of the Loan Facility at a rate of 10% per annum, of which the first 3 months' interest is payable in advance. All outstanding amounts (including all accrued and outstanding interest) is repayable on the earlier of 31 January 2015 and the date completion occurs under the share purchase agreement ("SPA") in relation to the sale of GXY's wholly-owned subsidiary, Galaxy Lithium International Limited ("GLIL"), the entity which owns the Lithium Carbonate Plant in Jiangsu Province, China. It is intended that GLAL will repay the Loan Facility by off-setting the outstanding amounts against the consideration received from the sale of GLIL upon completion under the SPA. The Loan Facility is guaranteed by GLIL and is secured by all of the shares in, and assets held by, GLIL. The terms of the Contingent Loan Agreement are otherwise consistent with agreements of this nature.

Unmarketable Share Sale Facility

As at 18 July 2014, the Company had 11,318 shareholders on its share register. Of these, approximately 6,514 hold parcels of less than \$500.00 in value based on the Galaxy share price of \$0.055 as at close of trade on 18 July 2014 and are deemed holders of Unmarketable Parcels. Due to the high proportionate cost for holders to transact these small holdings, the Company has established a share sale facility ("Facility") for holders of parcels of Galaxy shares with a market value of less than \$500.00 ("Unmarketable Parcels").

This facility enables these small investors to dispose of their shares at a guaranteed price without the issue of brokerage charges outweighing the sales proceeds. The Facility is being established in accordance with the Company's Constitution and the ASX Listing Rules. For the purposes of establishing holders of Unmarketable Parcels the date has been set at close of trade on Friday, 18 July 2014 ("Record Date"). The price that relevant shareholders will receive for their shares under the Facility will be \$0.052 based on the GXY volume weighted average trading price for the 5 trading days on the ASX ending on the Record Date. Bell Potter Securities Limited has been engaged to assist

the Company with the Facility. Under the terms of the Facility, a total of 8,991,706 shares for 4,748 shareholders will be sold.

Shareholder Meetings

The Company held the Annual General Meeting and a General Meeting of Shareholders on Friday 20 June 2014. All resolutions that were put to the meetings were passed by the requisite majority on a show of hands.

Jiangsu (100%)

Operational Performance - Jiangsu Plant Lithium Carbonate Production

In March 2014, Galaxy Jiangsu entered into a spodumene tolling agreement with Tianqi, to treat 8,000 tonnes per annum of lithium carbonate (battery and technical grade) on their behalf.

Jiangsu produced 1,941 tonnes of Lithium Carbonate during the half-year.

Safety

There were zero LTIs (Lost Time Incidents) and MTIs (Medical Treatment Incidents) during the half year.

Projects

Sal de Vida (96%)

Permits

The Sal de Vida project application for obtaining the environmental approvals from Catamarca and Salta provinces are progressing, and the Company looks forward to advising the market on positive developments in the near future. In August 2014, the final instalment on Sal de Vida tenements was paid.

Engineering and construction

Engineering: Work continues on the planning of the FEED and detailed engineering program. Considering the “modular,” phased development concept, it is intended that the engineering and construction can be broken down into distinct packages, many of which can be managed by the owner’s team, significantly reducing costs compared to a traditional “EPCM” engineering contract.

Process test work: Operating on a care and maintenance basis, there were no significant advances in process test works during the quarter. The pilot ponds and pilot plant on site continue to be secured for a later start-up. One of the major expenses for the test work program was maintaining staff in the field. Continuing the effort to reduce costs, the Sal de Vida team looked to specialised process laboratories to refine costs for the process. SGS Lakefield and Hazen research Inc. have both expressed an interest in assisting with ion exchange “IX” and bicarbonate purification (“BiC”) test plans.

Infrastructure: Galaxy personnel were involved in initiatives to reinstate rail access between Pocitos and the Pacific coast in Chile. Pocitos, approximately 110 km by road from the project is located on the rail, and is currently the terminus of the “Puna” gas pipeline. The rail link has been reactivated between Salta and Pocitos, with the connection between Pocitos and the border the only remaining section to be renovated. That work is under way and is expected to be completed in late 2014 or early 2015.

Galaxy has identified a rail-side property at Pocitos and has initiated securing the site for future Company development of a siding and logistics hub. Access to gas has improved with the advance of a new pipeline extension, linking the present terminal at Pocitos to Salar de Hombre Muerto (the site of the Company’s Sal de Vida project), underway. The extension has reached the location where the spur to the Sal de Vida project will be taken off.

Mt Cattlin and James Bay (100%)

Mt Cattlin and James Bay are being assessed with respect to the optimal short to mid-term strategy for each asset. Necessary activities to maintain the projects in good standing have been undertaken.

Directors' Report

Your Directors submit their report for Galaxy Resources Limited ("Company" or "Galaxy") incorporating the entities that it controlled during the half-year ("Group") ended June 30, 2014.

Directors

The names 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.

Martin Ronald Rowley (Chairman)
Anthony Peter Tse (Managing Director)
Charles Bernard Francis Whitfield
Jian-Nan (George) Zhang
Kai Cheong Kwan (Resigned 30 June 2014)

Principal Activities

The principal activity of the entities within the Group is production of lithium carbonate at the Jiangsu Lithium Carbonate Plant, and exploration and development of lithium projects in Canada and Argentina.

Operating and Financial Review

The Group's loss after tax for the period was \$25,823,000 for the half-year ended June 30, 2014 (half-year ended June 30, 2013: loss after tax of \$34,285,000).

Review of Operations

The Review of Operations is included separately in this Interim Financial Report on pages 3 to 5.

Events Subsequent to Reporting Date

On 18 July 2014, 37,415,254 fully paid ordinary shares were issued to Directors (or their Nominees) arising from the approval of various resolutions at the 20 June 2014 General Meeting.

On 8 August 2014, the Company drewdown the first US\$15 million tranche of a US\$30 million facility made available to the Company by Tianqi Group Hong Kong Company Limited ("TGHK") on 8 August 2014 and the second US\$15 million tranche in September 2014. TGHK is a member of the Tianqi group of companies.

The Facility is being made available, at Galaxy's request, prior to the completion of the sale of GLIL due to the longer than anticipated time required to obtain all necessary regulatory and shareholder approvals in China relating to the Jiangsu divestment transaction. All outstanding approvals are now targeted to be completed in October 2014. The Facility is guaranteed by GLIL and secured by all of the shares and assets of GLIL. The terms and conditions are commercial and will be repaid from the consideration received upon the completion of the sale of GLIL.

On 9 September 2014, the Company announced in accordance with the terms of the unmarketable parcel share sale facility (Facility) announced on 29 July 2014, that a total of 8,991,706 shares for 4,748 shareholders at a price per share \$0.052 per share will be sold.

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 8.

Rounding Of Amounts

The Company is of a kind referred to in ASIC Class Order 98/100 dated July 10, 1998 and in accordance with the Class Order amounts in the consolidated interim financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors

Dated at Perth this 12th day of September 2014.

On behalf of the Directors

A handwritten signature in black ink, appearing to be 'A P Tse', written over a horizontal line.

A P Tse
Managing Director



Auditor's Independence Declaration

As lead auditor for the review of Galaxy Resources Limited for the half-year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in blue ink that reads 'Henry'.

Nick Henry
Partner
PricewaterhouseCoopers

Perth
12 September 2014

FINANCIAL REPORT

Consolidated Statement of Comprehensive Income

	Note	Six months ended	
		June 30, 2014	June 30, 2013
		\$'000	\$'000
Other income		143	1,191
Expenses			
Operating costs		(614)	(4,043)
Other expenses from ordinary activities			
Administration general		(2,443)	(2,824)
Employment costs		(1,060)	(2,836)
Depreciation		(83)	(123)
Impairment		-	(3,463)
Share based payments	12	(2,000)	(436)
Finance costs		(3,594)	(5,543)
Provision for inventory		(1,094)	-
Provision for onerous contracts		(1,386)	-
Loss before taxation		(12,131)	(18,077)
Income tax benefit		-	429
Loss from continuing operations		(12,131)	(17,648)
Loss from discontinued operation	10	(13,692)	(16,637)
Loss for the period		(25,823)	(34,285)
Loss attributable to:			
Owners of Galaxy Resources Limited		(25,812)	(34,269)
Non-controlling interests		(11)	(16)
		(25,823)	(34,285)
Other comprehensive (loss)/income for the period			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences – foreign operations		(10,703)	8,501
Net changes in available-for-sale financial assets		-	20
Other comprehensive (loss)/income for the period		(10,703)	8,521
Total comprehensive loss for the period		(36,526)	(25,764)
Total comprehensive loss for the period attributable to:			
Owners of Galaxy Resources Limited		(36,415)	(25,828)
Non-controlling interests		(111)	64
		(36,526)	(25,764)
Total comprehensive loss for the period attributable to owners of Galaxy Resources Limited arises from:			
Continuing operations		(15,945)	(13,850)
Discontinued operations		(20,470)	(11,978)
		(36,415)	(25,828)
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the company			
Basic and diluted loss per share (cents per share)		(1.18)c	(3.06)c
Earnings per share for loss attributable to the ordinary equity holders of the company			
Basic and diluted loss per share (cents per share)		(2.51)c	(5.94)c

The accompanying notes form part of these consolidated interim financial statements.

Consolidated Statement of Financial Position

	Note	As at June 30, 2014 \$'000	As at December 31, 2013 \$'000
CURRENT ASSETS			
Cash and cash equivalents		2,484	2,565
Other receivables and prepayments		391	600
Inventories		1,094	2,256
		3,969	5,421
Assets classified as held for sale	10	157,988	173,248
TOTAL CURRENT ASSETS		161,957	178,669
NON-CURRENT ASSETS			
Property, plant and equipment	2	1,946	2,136
Exploration and evaluation assets	3	128,297	137,115
Available-for-sale financial assets		62	102
TOTAL NON-CURRENT ASSETS		130,305	139,353
TOTAL ASSETS		292,262	318,022
CURRENT LIABILITIES			
Trade and other payables		5,080	4,547
Deposit for Jiangsu transaction	10	13,029	-
Provisions		1,158	29
Interest bearing liabilities	4	64,316	62,827
		83,583	67,403
Liabilities directly associated with assets classified as held for sale	10	128,073	135,243
TOTAL CURRENT LIABILITIES		211,656	202,646
NON-CURRENT LIABILITIES			
Provisions		6,625	6,871
TOTAL NON-CURRENT LIABILITIES		6,625	6,871
TOTAL LIABILITIES		218,281	209,517
NET ASSETS		73,981	108,505
EQUITY			
Contributed equity	5	448,462	448,460
Reserves		6,562	15,265
Accumulated losses		(385,956)	(360,244)
Capital and reserves attributable to owners of Galaxy Resources Limited		69,068	103,481
Non-controlling interests		4,913	5,024
TOTAL EQUITY		73,981	108,505

The accompanying notes form part of these consolidated interim financial statements.

Consolidated Statement of Changes in Equity

	Contributed equity \$'000	Equity- settled payments reserve \$'000	Foreign currency translation reserve \$'000	Fair value reserve \$'000	Accumulated losses \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at January 1, 2013	407,170	37,027	(4,819)	-	(305,906)	32,756	166,228
Loss for the year	-	-	-	-	(34,269)	(16)	(34,285)
Other comprehensive income for the period	-	-	8,421	20	-	80	8,521
Total comprehensive loss	-	-	8,421	20	(34,269)	64	(25,764)
Issue of shares, net of transaction costs	8,550	-	-	-	-	-	8,550
Transfer of reserve upon forfeit of options	-	(14,193)	-	-	14,193	-	-
Share-based payment transactions	-	435	-	-	-	-	435
Balance at June 30, 2013	415,720	23,269	3,602	20	(325,982)	32,820	149,449
Balance at January 1, 2014	448,460	16,035	(770)	-	(360,244)	5,024	108,505
Loss for the year	-	-	-	-	(25,812)	(11)	(25,823)
Other comprehensive loss for the period	-	-	(10,603)	-	-	(100)	(10,703)
Total comprehensive loss	-	-	(10,603)	-	(25,812)	(111)	(36,526)
Issue of shares, net of transaction costs	2	-	-	-	-	-	2
Transfer of reserve upon forfeit of options	-	(100)	-	-	100	-	-
Share-based payment transactions	-	2,000	-	-	-	-	2,000
Balance at June 30, 2014	448,462	17,935	(11,373)	-	(385,956)	4,913	73,981

The accompanying notes form part of these consolidated interim financial statements.

Consolidated Statement of Cash Flows

	Note	Six months ended	
		June 30, 2014	June 30, 2013
		\$'000	\$'000
Operating activities			
Receipts from customers		11,346	7,452
Receipts from Australian Taxation Office		-	428
Payments to suppliers and contractors		(15,628)	(19,016)
Net cash outflow from operating activities		(4,282)	(11,136)
Investing activities			
Interest received		145	83
Acquisition of property, plant and equipment		(1,434)	(3,050)
Proceeds from sale of tenements	10	-	250
Proceeds from sale of assets/deposits		13,029	211
Payments for exploration and evaluation assets		(883)	(4,867)
Refund of security deposits / performance bonds		-	854
Net cash inflow (outflow) from investing activities		10,857	(6,519)
Financing activities			
Net proceeds from issue of shares	5	2	9,605
Purchase of call option		-	(2,500)
Bank charges and interest paid		(6,544)	(6,373)
Proceeds from borrowings		26,502	18,964
Repayments of borrowings		(26,603)	(11,513)
Net cash inflow (outflow) from financing activities		(6,643)	8,183
Net decrease in cash and cash equivalents		(68)	(9,472)
Cash and cash equivalents at the beginning of the period		2,840	7,718
Cash held for sale in disposal group	10(c)	(226)	(329)
Effect of foreign exchange rate changes		(62)	3,199
Cash and cash equivalents at the end of the period		2,484	1,116

The accompanying notes form part of these consolidated interim financial statements.

Notes to the Consolidated Interim Financial Statements

For the half-year ended to June 30, 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Galaxy Resources Limited (the “Company” or “Galaxy”) is a company domiciled in Australia. The consolidated interim financial statements of the Company as at and for the half-year ended June 30, 2014 comprises the Company and its subsidiaries (together referred to as the “Group”).

The Group is a for-profit entity and is primarily involved in production of lithium carbonate at the Jiangsu Lithium Carbonate Plant, and exploration and development of lithium projects in Canada and Argentina. The consolidated annual financial statements of the Group as at, and for the year ended 31 December 2013 are available on request from the Company’s registered office or website.

a. Statement of compliance

These consolidated interim financial statements are general purpose financial statements and have been prepared in accordance with AASB 134: Interim Financial Reporting, and the *Corporations Act 2001*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2013. The consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 31 December 2013 and any public announcement made by the company during the half year ended 30 June 2014 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the *ASX Listing Rules*.

These consolidated interim financial statements were approved by the Board of Directors on September 12, 2014.

The Company is of a kind referred to in ASIC Class Order 98/100 dated July 10, 1998 and in accordance with the Class Order amounts in the consolidated interim financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

b. Accounting policies

The accounting policies applied by the Group in the consolidated interim financial statements are the same as those applied by the Group in its consolidated financial report as at and for the year ended December 31, 2013 and the corresponding interim reporting period have been consistently applied unless otherwise stated.

New amended and revised standards that are mandatory for 30 June 2014 interim periods have been applied in these consolidated interim financial statements and did not have a significant impact on the reported results or financial position.

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 interim reporting period and have not been applied in these financial statements.

c. Going concern

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

For the half-year ended 30 June 2014 the Group incurred a loss after tax of \$25.8 million. The Group has net current liabilities at 30 June 2014 of \$211.7 million which includes interest bearing liabilities of \$175.8 million. This includes secured loan of \$6.2 million, unsecured Convertible bonds of \$58.1 million and secured bank loans of \$111.5 million.

Notes to the Consolidated Interim Financial Statements
For the half-year ended to June 30, 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Going concern (continued)

On 30 April 2014, Galaxy announced the signing of an agreement for the sale of its shares in wholly owned subsidiary Galaxy Lithium International Limited (“GLIL”), including the Jiangsu Lithium Carbonate Plant (“Jiangsu Plant”) and associated bank debt for US\$122 million, to Tianqi HK Co. Limited (“Tianqi”), (“The GLIL Disposal”) which is part of the Sichuan Tianqi Lithium Industries Inc group (“Sichuan Tianqi”).

Completion of the sale agreement is still subject to PRC regulatory and Sichuan Tianqi shareholder approval. Galaxy shareholders approved the sale at the General Meeting convened on June 20, 2014.

The effect of the sale is as follows:

- The Group received a 10% deposit of the sale proceeds in May 2014;
- The Group will have disposed of its interest in the entities which hold 100% of the Jiangsu Lithium Plant and its associated bank facilities and working capital items on completion; and
- On completion the Board estimates that the sale will provide Galaxy with approximately \$40 million in cash, net of all interest bearing liabilities subject to any working capital adjustments up until date of completion, expected October 2014.

Until completion the Group will continue to own and operate the Jiangsu Lithium Plant.

At 31 December 2013 and 30 June 2014, the Company’s wholly owned subsidiary Galaxy Lithium (Jiangsu) Co., Limited (“GLJL”), also a subsidiary of GLIL, was in breach of certain lending covenants under a bank facility. The breach constitutes a potential event of default which would allow the bank to demand immediate repayment of amounts owing, only if an event of default was to be called by the bank. Default clauses in other of GLJL’s and the Group’s debt and facility agreements would then allow those banks and lenders to identify a default event and demand immediate repayment of their amounts owing.

For this reason all of the Group’s secured bank loans and interest bearing liabilities have been classified as current liabilities at 30 June 2014, in accordance with the requirements under accounting standards.

GLJL has not requested nor received a formal waiver of the lender’s rights to call on the loan in respect of this breach.

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

The successful completion of the GLIL Disposal; and

The support of its bank lenders in China to waive existing rights under covenant breaches to immediately recall drawn amounts and continue to offer access to existing facilities until completion of the GLIL Disposal.

The Board believes that the going concern basis of preparation remains appropriate for the following reasons:

The GLIL Disposal is expected to successfully complete;

The Group has historically received support from its financiers for the extension of credit; and

Historically the Group has successfully arranged sufficient financing facilities and raised equity as required.

Notes to the Consolidated Interim Financial Statements
For the half-year ended to June 30, 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**c. Going concern (continued)**

On 28 July 2014, Galaxy Resources Limited (GXY), through its wholly-owned subsidiary Galaxy Lithium Australia Limited (GLAL) entered into an agreement with Tianqi Group HK Co., Limited (Tianqi), (Contingent Loan Agreement), for the provision by Tianqi to GLAL of a US\$30 million non-amortising bullet term loan facility (Loan Facility). On 8 August 2014, GLAL drew down US\$15 million under the Loan Facility with the second tranche of \$15m to be drawn in September 2014.

Under the Contingent Loan Agreement, interest accrues on the outstanding amount of the Loan Facility at a rate of 10% per annum, of which the first 3 months' interest is payable in advance. All outstanding amounts (including all accrued and outstanding interest) are repayable on the earlier of 31 January 2015 and the date completion occurs under the share purchase agreement (SPA) in relation to the sale of GXY's wholly-owned subsidiary, Galaxy Lithium International Limited (GLIL), the entity which owns the Lithium Carbonate Plant in Jiangsu Province, China. It is intended that GLAL will repay the Loan Facility by off-setting the outstanding amounts against the consideration received from the sale of GLIL upon completion under the SPA. The Loan Facility is guaranteed by GLIL and is secured by all of the shares in, and assets held by GLIL. The terms of the Contingent Loan Agreement are otherwise consistent with agreements of this nature.

The Sal de Vida project continued to progress its environmental permitting work. The project has reduced operating expenditures to a nominal level while in this preparation stage. Engineering, construction planning, early-stage owner's team recruitment and IT initiatives continued.

Should the Group not be successful in the completion of the GLIL Disposal and be unable to renegotiate or refinance existing or additional debt facilities or raise sufficient funds through future equity issues or other alternatives such as the sale or partial sale of its assets, there exists a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

2. PROPERTY, PLANT & EQUIPMENT

	Land \$'000	Plant & equipment \$'000	Development expenditure \$'000	Total \$'000
Year ended 31 December 2013				
Opening net book amount	1,412	164,572	3,752	169,736
Exchange differences	-	25,716	-	25,716
Additions	-	5,585	-	5,585
Disposals	-	(359)	-	(359)
Assets included in a disposal group classified as held for sale	-	(142,121)	-	(142,121)
Depreciation charge	-	(20,822)	-	(20,822)
Impairment loss	-	(31,847)	(3,752)	(35,599)
Closing net book amount	1,412	724	-	2,136
At 31 December 2013				
Cost	1,412	127,873	17,708	146,992
Accumulated depreciation	-	(127,149)	(17,708)	(144,856)
Net book amount	1,412	724	-	2,136
Assets classified as held for sale	-	142,121	-	142,121
Net book amount before reclassification of assets held for sale	1,412	142,845	-	144,257

Notes to the Consolidated Interim Financial Statements
For the half-year ended to June 30, 2014

2. PROPERTY, PLANT & EQUIPMENT (CONTINUED)**Half-year ended 30 June 2014**

Opening net book amount	1,412	142,845	-	144,257
Exchange differences	-	(9,471)	-	(9,471)
Additions	-	1,536	-	1,536
Disposals	-	(2)	-	(2)
Assets included in a disposal group classified as held for sale	-	(134,291)	-	(134,291)
Depreciation charge	-	(83)	-	(83)
Closing net book amount	1,412	534	-	1,946

At 30 June 2014

Cost	1,412	126,279	-	127,691
Accumulated depreciation	-	(125,745)	-	(125,745)
Net book amount	1,412	534	-	1,946

Cost or fair value – held for sale	154,827
Accumulated depreciation – plant & equipment held for sale	(20,535)
Net book value – held for sale	134,292

3. EXPLORATION AND EVALUATION EXPENDITURE

	June 30, 2014 \$'000	December 31, 2013 \$'000
Balance at the beginning of the period	137,115	135,782
Additions		977
Impairment		-
Effect of foreign exchange	(9,795)	4,094
Balance at end of the period	128,297	137,115

4. INTEREST BEARING LIABILITIES

	June 30, 2014 \$'000	December 31, 2013 \$'000
Current		
Secured bank loans (a)	111,474	120,830
Convertible bonds (b)	58,080	58,124
Secured loan (c)	6,235	4,703
Balance at end of the period	175,789	183,657

Current

Interest bearing liabilities	64,315	62,827
Liabilities directly associated with assets classified as held for sale (Note 10 (c))	111,474	120,830
	175,789	183,657

Notes to the Consolidated Interim Financial Statements
For the half-year ended to June 30, 2014

4. INTEREST BEARING LIABILITIES (CONTINUED)

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

Bank	Loan Purpose	Facility RMB (millions)	Drawn RMB (millions)	Term (years)
China Construction Bank (CCB)	Fixed assets	242.6	242.6	1-3
China Construction Bank	Working capital	60	60	1
Shanghai Pudong Development Bank (SPD)	Working capital	49	49	1-3
Industrial and Commercial Bank of China (ICBC)	Fixed assets	174.7	174.7	1-5
Industrial and Commercial Bank of China	Working capital	120	120	1

Interest rates on these facilities range from 6-7% per annum. Facilities require that Galaxy Lithium (Jiangsu) Co., Limited (GLJL) meet liquidity and asset to liability ratio covenants. Certain ratios were not complied with during the year.

At 30 June 2014, the Company's wholly owned subsidiary Galaxy Lithium (Jiangsu) Co. Limited (GLJL) was in breach of certain lending covenants under a bank facility. The breach constitutes a potential event of default which would allow the bank to demand immediate repayment of amounts owing. Default clauses in other of GLJL's facility agreements would then allow those banks to identify a default event and demand immediate repayment of their facilities. For this reason all of the Group's secured bank loans have been classified as a current liability at 30 June 2014 in accordance with the requirements under accounting standards. GLJL has not requested nor received a formal waiver for this breach.

- b) The bonds have a maturity date of 19 November 2015 with a 10% coupon per annum. The Bond Trust Deed contains default clauses in respect to other lending facilities of the Group (refer note 4(a)). These clauses can be enacted should a formal event of default be pursued by other lenders. As at 30 June 2014 all of the Group's convertible bonds have been classified as a current liability as a result of a potential cross default in the Trust Deed as a result of the GLJL covenant breach as described in Note 4(a) above.

As at 30 June 2014, the Group had the following liability and assets measured at fair value:
Convertible bonds liability component – carrying value as at 30 June 2014 of \$58,060,360 (31 December 2013: \$58,124,526). The liability is calculated using a market discount rate of 13% based on observed debt rates charged to comparable companies.

Convertible bonds equity component – carrying value as at 30 June 2014 of \$nil (31 December 2013: \$nil). The equity value is nil due to a short time period to expiry and a conversion price that is substantially above the current market price of Galaxy shares.

Galaxy's conversion option – carrying value as at 30 June 2014 of \$nil. Hybrid share option pricing model is used for valuation with key inputs being expected exercise date of 19 November 2015, share price of the underlying equity \$0.053, strike price of \$0.922, share price volatility of 80% and dividend yield of 10%.

The aforementioned assets and liability are measured at fair value on a recurring basis at each reporting date until these are derecognised. These instruments are Level 3 financial instruments under the fair value hierarchy as defined under AASB 13 *Fair Value Measurement*. The valuation techniques adopted to measure these instruments have remained consistent with 31 December 2013. Inputs are updated at every reporting date. For the convertible bonds, there was no significant change in the fair value from 31 December 2013. The value of the conversion option as at 30 June 2014 is \$nil (31 December 2013 is \$nil).

Notes to the Consolidated Interim Financial Statements
For the half-year ended to June 30, 2014

4. INTEREST BEARING LIABILITIES (CONTINUED)

- c) Galaxy entered into a \$5 million subordinated secured short term loan facility (“Facility”) in July 2013 and a further \$2 million facility in March 2014 with a lending consortium (“Consortium”). The Consortium is made up of existing, largely European-based institutional shareholders of Galaxy and was arranged by Galaxy’s Special Management Committee in July 2013. As at 30 June 2014, Galaxy had utilised \$6.2 million of the Facility. The short term loan facility funds were arranged to provide additional near term funding for general corporate purposes is due to be repaid by 31 December 2014. Interest rate is 10% per annum and the Facility is secured by the Company’s interest in the Sal de Vida Project.

5. CONTRIBUTED EQUITY

	June 30, 2014		December 31, 2013	
	Number	\$’000	Number	\$’000
Balance at the beginning of the period	1,027,058,678	448,460	560,357,421	407,170
Issued for cash	19,061	2	466,701,257	41,290
Balance at the end of the period	<u>1,027,077,739</u>	<u>448,462</u>	<u>1,027,058,678</u>	<u>448,460</u>

6. EVENTS SUBSEQUENT TO REPORTING DATE

On 18 July 2014, 37,415,254 fully paid ordinary shares were issued to Directors (or their Nominees) arising from the approval of various resolutions at the 20 June 2014 General Meeting.

On 8 August 2014, the Company drewdown the first US\$15 million tranche of a US\$30 million facility made available to the Company by Tianqi Group Hong Kong Company Limited (“TGHK”) on 8 August 2014 and the second US\$15 million tranche in September 2014. TGHK is a member of the Tianqi group of companies.

The Facility is being made available, at Galaxy’s request, prior to the completion of the sale of GLIL due to the longer than anticipated time required to obtain all necessary regulatory and shareholder approvals in China relating to the Jiangsu divestment transaction. All outstanding approvals are now targeted to be completed in October 2014. The Facility is guaranteed by GLIL and secured by all of the shares and assets of GLIL. The terms and conditions are commercial and will be repaid from the consideration received upon the completion of the sale of GLIL.

On 9 September 2014, the Company announced in accordance with the terms of the unmarketable parcel share sale facility (Facility) announced on 29 July 2014, that a total of 8,991,706 shares for 4,748 shareholders at a price per share \$0.052 per share will be sold.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

7. SEGMENT INFORMATION

a) Description of the segments

During the six months ended 30 June 2014, the Group has managed its businesses by geographic location, which resulted in three operating and reportable segments which consists of the Australia operation, Argentina operation and Canada operation as set out below. This is consistent with the way in which information is reported internally to the Group's Managing Director for the purposes of resource allocation and performance assessment subsequent to the restructuring of the Group in light of the SPA with Tianqi for the former geographic and reportable segment containing the Group's China operation.

Notes to the Consolidated Interim Financial Statements
For the half-year ended to June 30, 2014

7. SEGMENT INFORMATION (CONTINUED)

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

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

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

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

b) Reportable segments

	Australia		Argentina		Canada		Total	
	6 months to June 30, 2014	6 months to June 30, 2013	6 months to June 30, 2014	6 months to June 30, 2013	6 months to June 30, 2014	6 months to June 30, 2013	6 months to June 30, 2014	6 months to June 30, 2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other income	143	106	-	1,085	-	-	143	1,191
Operating costs and provisions for inventory and onerous contracts	(3,065)	(7,413)	(29)	(41)	-	-	(3,095)	(7,454)
Other expenses from ordinary activities	(5,330)	(5,462)	(254)	(359)	-	(22)	(5,585)	(5,843)
Finance costs	(3,595)	(5,543)	-	-	1	-	(3,594)	(5,543)
Reportable segment profit/(loss) before income tax	(11,847)	(18,312)	(283)	685	(1)	(21)	(12,131)	(17,648)
	30 June 2014	31 December 2013						
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other material non-cash items:								
Reportable segment interest bearing liabilities	64,315	62,827	-	-	-	-	64,315	62,827
Reportable segment assets	9,769	6,980	122,325	133,062	2,180	4,732	134,274	144,774
Additions to non-current segment assets during the period	-	652	-	-	-	-	-	652

Notes to the Consolidated Interim Financial Statements
For the half-year ended to June 30, 2014

7. SEGMENT INFORMATION (CONTINUED)**c) Reconciliations of reportable segment profit or loss, assets and liabilities and other material items**

Inter-segment revenue for the period ended 30 June 2014 is \$Nil. (2013: \$Nil).

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

	30 June 2014	31 December 2013
	\$'000	\$'000
Assets		
Total assets for reportable segments	134,274	144,774
Assets classified as held for sale	157,988	173,248
Consolidated total assets	<u>292,262</u>	<u>318,022</u>
	6 months to	6 months to
	30 June 2014	30 June 2013
	\$'000	\$'000
Profit or loss		
Loss from continuing operations	(12,131)	(17,648)
Loss from discontinued operation	(13,692)	(16,637)
	<u>292,262</u>	<u>318,022</u>
Elimination of inter segment transactions	-	-
Consolidated loss before tax	<u>(25,823)</u>	<u>(34,285)</u>

8. LOSS PER SHARE

	6 months to	6 months to
	June 30, 2014	June 30, 2013
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the company		
Basic and diluted loss per share (cents per share)	(1.18)	(3.06)
Earnings per share for loss attributable to the ordinary equity holders of the company		
Basic and diluted loss per share (cents per share)	(2.51)	(5.94)
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares outstanding during the period used in calculation of basic earnings per share	<u>1,027,073,891</u>	576,532,922

Notes to the Consolidated Interim Financial Statements
For the half-year ended to June 30, 2014

9. COMMITMENTS**a) Mining Tenement Leases**

In order to maintain current rights of tenure to mining tenements, the Company will be required to perform minimum exploration work to meet the minimum expenditure requirements specified by the WA State Government and pay tenement lease rents. The estimated exploration expenditure commitment for the ensuing year, but not recognised as a liability in the financial statements:

	June 30, 2014 \$'000	December 31, 2013 \$'000
Within one year	547	556
	547	556

This expenditure will only be incurred should the Company 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 farm-out, joint venture and direct exploration expenditure. The Company has not determined what the commitment will be beyond 12 months.

There are no minimum requirements in respect of Argentina or Canada tenements.

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

Group	30 June 2014 \$'000	31 December 2013 \$'000
Within one year	272	390
More than one year but less than five years	-	95
	272	485

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.

10. DISCONTINUED OPERATIONS**a) Description**

On 30 April 2014 the Company announced a binding Share Purchase Agreement with Sichuan Tianqi Lithium Industries (STLI) for the sale of Galaxy Lithium International Limited, the entity which holds the Jiangsu Lithium Carbonate plant. The sale of the Jiangsu Plant is based on an enterprise value of US\$230 million (A\$249 million), with STLI assuming US\$108 million (A\$117 million) of Chinese bank debt at Galaxy Jiangsu and a cash component of US\$122 million (A\$132 million), before any working capital adjustments, for the balance. On 13 May 2014 the shareholders of STLI approved the payment of US\$12.2 million (A\$13 million) representing 10% of the cash component by way of a deposit for the purchase. The deposit was received on 20 May 2014. On 20 June 2014, at an EGM, Galaxy shareholders voted overwhelmingly in support of the sale transaction. The transaction continues to proceed through regulatory and shareholder approvals in the PRC with completion expected during October 2014.

Notes to the Consolidated Interim Financial Statements
For the half-year ended to June 30, 2014

10. DISCONTINUED OPERATIONS (CONTINUED)**b) Financial performance and cash flow information**

	6 months to June 30, 2014 \$'000	6 months to June 30, 2013 \$'000
Revenue	7,020	11,491
Expenses	(20,712)	(28,128)
Loss before income tax	(13,692)	(16,637)
Income tax expense	-	-
(Loss) after income tax of discontinued operation	(13,692)	(16,637)
Gain on sale before income tax	-	-
Income tax expense	-	-
Gain on sale after income tax	-	-
Profit/(Loss) from discontinued operation	(13,692)	(16,637)
Net cash (outflow) from operating activities	(1,299)	(6,409)
Net cash (outflow) from investing activities	(1,434)	(3,050)
Net cash (outflow) from financing activities	(2,950)	(3,330)
Net decrease in cash	(5,683)	(12,789)

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

	6 months to June 30, 2014 \$'000	12 months to December 31, 2013 \$'000
Assets classified as held for sale:		
Cash and cash equivalents	224	275
Property, Plant and Equipment	134,292	142,121
Lease prepayment	-	1,333
Trade and other receivables	21,014	24,473
Inventories	2,458	5,046
Total assets of disposal group held for sale	157,988	173,248
Liabilities directly associated with assets classified as held for sale:		
Trade creditors and accruals	16,599	14,412
Interest Bearing Liabilities	111,474	120,830
Total liabilities of disposal group held for sale	128,073	135,243

11. CONTINGENT LIABILITIES

The group had no change in contingent liabilities as at 30 June 2014 (2013: Nil).

12. RELATED PARTY TRANSACTIONS

On 18 July 2014, 37,415,254 fully paid ordinary shares were issued to Directors (or their Nominees) arising from the approval of various resolutions at the 20 June 2014 General Meeting. Share based payments of \$2,000,000 (30 June 2013: \$436,000) has been expensed.

Directors' Declaration

In the opinion of the Directors of Galaxy Resources Limited:

1. the financial statements and notes set out on pages 9 to 22 are in accordance with the *Corporations Act 2001*, including:
 - a. giving a true and fair view of the Group's financial position as at June 30, 2014 and of its performance for the half year ended on that date; and
 - b. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors

Dated at Perth this 12th day of September 2014.

On behalf of the Directors



A P Tse
Managing Director



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Galaxy Resources Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Galaxy Resources Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Galaxy Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



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

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern

Without modification to the conclusion expressed above, attention is drawn to Note 1(c) in the half-year financial report. The matters set forth in Note 1(c) indicate the existence of a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern and, therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in blue ink that reads 'Henry' with a stylized flourish at the end.

Nick Henry
Partner

Perth
12 September 2014

Corporate Directory

Directors

Martin Ronald Rowley (Independent Non-Executive Chairman)

Anthony Peter Tse (Managing Director)

Charles Bernard Francis Whitfield (Executive Director)

Jian-Nan (George) Zhang (Non-Executive Director)

Chief Financial Officer and Company Secretary

Andrew Leslie Meloncelli

Registered Office and Principal Place of Business

Level 2, 16 Ord Street PO Box 1136
West Perth WA 6005 West Perth WA 6872
Australia Australia

P: + 61 8 9215 1700

F: + 61 8 9215 1799

Email: reception@galaxylithium.com (General)

ir@galaxylithium.com (Media and Corporate)

Website: www.galaxylithium.com

Share Registry

Computershare Investor Services Pty Ltd

Level 2, 45 St Georges Terrace

Perth WA 6000

P: 1300 557 010 (within Australia)

P: + 61 3 9415 5000 (outside Australia)

F: + 61 8 9323 2033

Website: www.computershare.com

Auditors

PricewaterhouseCoopers

Level 15, 125 St Georges Terrace

Perth WA 6000

P: + 61 8 9238 3000

F: + 61 8 9238 3999

Solicitors

Allion Legal Pty Ltd

Level 2, 50 Kings Park Road

West Perth WA 6005

P: + 61 8 9216 7100

F: + 61 8 9324 1075

Australian Business Number

11 071 976 442

ASX Codes

GXY and GXYO