Galaxy Resources Limited and its Controlled Entities

For the half-year ended 30 June 2018

(Previous corresponding period is the half-year ended 30 June 2017)

Results for Announcement to the Market

	30 June 2018	30 June 2017	Change	
	US$'000	US$'000	US$'000	%
Revenue from ordinary activities	88,440	11,306	77,134	682%
Profit/(Loss) from ordinary activities after tax attributable to members	11,495	(4,971)	16,466	331%
Net profit/(loss) for the period attributable to members	11,495	(4,971)	16,466	331%

Dividend Information

No dividends have been declared or paid during or since the end of the half-year to 30 June 2018 (2017: Nil).

Net Tangible Assets

	30 June 2018	30 June 2017
	US$	US$
Net tangible assets per share	0.370	0.228

Control Gained or Lost over Entities During the Period

There have been no gains or losses of control over entities in the period ended 30 June 2018.

Financial Results

This report is based on the attached Condensed Consolidated Interim Financial Report for the half year ended 30 June 2018, which has been reviewed by PricewaterhouseCoopers, and should be read in conjunction with the consolidated annual financial report as at 31 December 2017 and public announcements made subsequent to 30 June 2018.

GALAXY RESOURCES LIMITED

ABN 11 071 976 442

CONDENSED CONSOLIDATED FINANCIAL REPORT FOR THE HALF-YEAR ENDED 30 JUNE 2018

www.galaxylithium.com

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Mr Martin Rowley	(Independent Non-Executive Chairman)
Mr Anthony Tse	(Managing Director and Chief Executive Officer)
Mr Jian-Nan Zhang	(Independent Non-Executive Director)
Mr Peter Bacchus	(Independent Non-Executive Director)
Mr John Turner	(Independent Non-Executive Director)
Ms Florencia Heredia	(Independent Non-Executive Director)

CHIEF FINANCIAL OFFICER

Mr Alan Rule

COMPANY SECRETARY

Mr John Sanders

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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AUDITORS

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AUSTRALIAN BUSINESS NUMBER

11 071 976 442
Stock Exchange Listing
ASX Code: GXY

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DIRECTORS' REPORT

Your directors present their report on the consolidated financial statements of Galaxy Resources Limited ("**Company**") and the entities it controlled ("**Group**") during the half-year ended 30 June 2018.

DIRECTORS

The following persons were directors of the Company during the whole of the financial period and up to the date of this report except where indicated:

Mr Martin Rowley
Mr Anthony Tse
Mr Jian-Nan (George) Zhang
Mr Peter Bacchus
Mr John Turner
Ms Florencia Heredia (appointed 2 January 2018)

PRINCIPAL ACTIVITIES

The principal activities of the entities within the Group are:

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

OPERATING RESULTS FOR THE PERIOD

The Group's profit after tax for the half-year to 30 June 2018 was US$11,495,000 (30 June 2017: loss US$4,971,000).

DIVIDENDS FOR THE PERIOD

No dividends have been paid by the Company during the half-year ended 30 June 2018, nor have the Directors recommended that any dividends be paid. (2017: none).

REVIEW OF OPERATIONS

Mt Cattlin Operations

The Company wholly owns the Mt Cattlin spodumene project, located two kilometres north of the town of Ravensthorpe in Western Australia. The Mt Cattlin mine operations include open-pit mining carried out using excavator and truck operations, delivering to a conventional crushing and Dense Media Separation ("**DMS**") gravity recovery circuit. Contract mining is used for grade control drilling and earthmoving operations (drilling, blasting, load, haul and ancillary work) for the open-cut mining operation. The final spodumene concentrate is exported via the Esperance port.

Set out below is a summary of the production and sales statistics for the half-year:

	Units	March Qtr 2018	June Qtr 2018	YTD 2018	YTD 2017
Mined volume	*bcm*	843,308	846,830	1,690,138	802,860
Ore mined	*wmt*	528,977	419,314	948,291	536,587
Ore mined - grade	*%*	1.01	1.11	1.06	1.05
Ore treated	*wmt*	430,398	435,296	865,694	587,192
Ore treated - grade	*%*	1.11	1.17	1.14	1.09
Recovery	*%*	52	56	54	53
Spodumene produced	*dmt*	43,852	47,901	91,753	56,465
Spodumene sold	*dmt*	44,258	45,761	90,019	53,590
Spodumene grade sold	*%*	5.70	5.83	5.77	5.60
Cash margin per tonne sold [1]	*U$/dmt*	439	534	488	203

1 – Cash margin per tonne sold is calculated as revenue from the sale of spodumene, minus cash costs of production (including selling and marketing costs), divided by tonnes of spodumene sold. This measure is a non-IFRS measure and has been included to assist investors to better understand the performance of the business and, where included in this report, has not been subject to review by the Group's external auditors.

The key operational achievements at Mt Cattlin during the half-year were:

- Operations at Mt Cattlin remain Lost Time Incident ("LTI") free since refurbishment and restart of production.
- Total mining volumes increased by 110% over the previous half-year because in 2017 the operations were being ramped up and commissioned;
- Ore volume mined increased by 76% to 948,291 wmt, with ore feed grade of 1.06% achieved in line with expectations;
- Mt Cattlin reported average cash margin per dmt sold increased by 140% over the previous half-year primarily due to increased revenue;
- A total of 6 shipments of lithium concentrate were completed during the half-year for an aggregate 90,019 dmt of product sold, with all shipments at grade levels above contract requirements, as well as having moisture and mica content levels well below contract specifications;
- Construction of the yield optimization circuits at the Mt Cattlin Plant commenced. These include an ultra fines DMS circuit, a secondary float re-crush circuit and a final product optical sorter. These productivity improvement projects have been implemented with the objective to increase recoveries to a range of 70-75%, which will lift annual production volumes to between 220,000 and 240,000 dmtpa. Construction and commissioning of these improvements to the process plant are scheduled to be completed during Q3, with resulting improvements in production rates expected in Q4 2018.
- Qube Bulk handle the transport, storage and shiploading of all of Mt Cattlin's spodumene concentrate through the port of Esperance. Qube Bulk completed and commissioned a new purpose built storage facility in Esperance that has doubled storage capacity for Mt Cattlin spodumene concentrate to 30,000 tonnes. This new storage facility will allow for more efficient shiploading and logistics.

The key exploration, resource & reserve achievements at Mt Cattlin during the half-year were:

- On 22 March 2018, the Company announced the Mt Cattlin Mineral Resource & Ore Reserve estimates at 31 December 2017;
- Commencement of a 15,000m Reverse Circulation ("RC") drilling campaign that will focus on further resource development, with the aim of an upgrade of defined mineral resource classifications; and
- Plans were finalized for an expansive regional targeted greenfield exploration campaign (up to 60,000m) over the next 12 months. This does not include ongoing RC drilling directed at grade control as part of the normal course of business, and resource development around the Mt Cattlin area. A number of prospective targets in close proximity to the existing operations have already been identified. This campaign will provide Galaxy with a comprehensive understanding of the regional geology and the lithium mineralogy of previously underexplored regions.

Galaxy made the following acquisitions of tenements that surround the existing Mt Cattlin operations during the half-year and, as a result, Galaxy now owns approximately 460km^2 of mining and exploration licences including the existing Mt Cattlin operations:

- 3 exploration licenses (E74/379, E74/399 and E74/406); and
- 3 exploration licenses (E74/571, E74/570 and E74/589) from Kingston Resources Limited for A$300,000 in cash plus the issue of 93,168 shares in Galaxy.

Sal De Vida

The Sal de Vida lithium project ("**Sal de Vida**" or "**Project**") is located on the Salar del Hombre Muerto in northwest Argentina and is one of the world's largest and highest quality undeveloped lithium brine deposits with significant expansion potential. The JORC-compliant ore reserve estimate of 1.1 million tonnes of retrievable lithium carbonate equivalent and 4.2 million tonnes of potassium chloride (potash or KCl) equivalent supports total annual production over a 40 year period.

Sal de Vida is located in north-west Argentina in what is known as the '*Lithium Triangle*', home to more than half of the world's annual production of lithium from brines in the Salar de Atacama and the Salar del Hombre Muerto. The Salar lies approximately 1,400 kilometres north-west of Buenos Aires at an altitude of 4,025 metres. The property is accessible from the cities of Catamarca and Salta via an all-seasons road, and there is a major powerline 115 kilometres away.

During the half-year, Galaxy announced that it had completed an update of the Definitive Feasibility Study ("**DFS**") for the Project. Results from this DFS validated a technically superior, highly profitable, long life (40 years) and low-cost lithium and potash project with:

- Annual production of 25,000 tonnes of lithium carbonate and 94,000 tonnes of potash;
- An operation with an initial 3-year ramp up to full planned lithium carbonate production. Potash production is deferred for two years after the commencement of lithium carbonate production;
- Post-tax Net Present Value ("**NPV**") of US$1.48 billion at an 8% discount rate (real);
- Post-tax Internal Rate of Return ("**IRR**") of 26.9%, with post-tax payback period of approximately 3 years from first production;
- Capital cost estimate of US$474 million, including US$31 million for an optional potash production circuit;
- Operating costs at full production of US$3,144 per tonne of lithium carbonate after potash credits;
- Average annual revenues of US$360 million and EBITDA of US$270 million; and
- JORC-compliant reserve estimate of 1.1 million tonnes of recoverable lithium carbonate equivalent ("**LCE**"), with significant potential for future upside from further resource definition and subsequent reserve upgrade.

During the half-year, Galaxy announced that it had entered into a non-binding agreement with POSCO to sell a package of tenements located on the northern area of the Salar del Hombre Muerto in Argentina, for cash consideration of US$280 million. The tenement package is situated to the north of Sal de Vida. Key highlights of the sale agreement are:

- Cash consideration of US$280 million for approximately 2.54 million tonnes of LCE of JORC compliant total resources;
- Galaxy retains 100% ownership of all tenements in the southern basin that hosts the Project and which contains 100% of the previously announced reserves of 1.14 million tonnes LCE; and
- Funds available to Galaxy to progress Sal de Vida development in the Catamarca Province.

Definitive documentation was signed on 27 August 2018 after receipt of POSCO and Galaxy Board approval. Satisfaction of the remaining conditions precedent and completion is expected during Q4 2018.

Galaxy and POSCO will also enter into cooperation agreements intended to maximize potential development, operational, infrastructure and logistical synergies for their respective projects.

Galaxy appointed JP Morgan Australia as financial advisor to assist in evaluating potential strategic partnership and/or offtake opportunities to advance the development of Sal de Vida.

The other key initiatives achieved at Sal de Vida during the half-year were:

- Earthworks for a drilling program were undertaken including access roads and drilling pads;
- A new production well (SVWW18_24) was completed during Q2, increasing knowledge both of the geology and hydrogeology related to the northern basin tenements. This new well was terminated at a depth of 351 metres and was developed to provide hydraulic parameters. Both step and continuous pumping tests were successfully performed during a 48 hour period. A second production well will be drilled during Q3 in the southern tenement area.
- A small fleet of heavy equipment machines that will be used to construct test ponds and for general use around the site were purchased and arrived on site;
- To support the ramp up of activities on site and at the camp, infrastructure works have been initiated to provide the Tango 01 with electricity, fresh water, sewage and waste disposal facilities; and
- As part of its continued community relations efforts, the Sal de Vida team organized a series of training sessions for local providers residing at the different satellite cities like Antofagasta de la Sierra and Belen in Catamarca Province. The laboratory operations training program, which has been developed in partnership with the Catamarca University and Alex Stuart Assayers, now has a range of classes being offered on campus at the University.

James Bay

The James Bay lithium pegmatite project in Quebec, Canada contains an ore resource stands at 40.8 Mt @1.40% Li_20, all classified as Indicated (JORC 2012). The James Bay project is located in northwest Quebec, two kilometres south of the Eastmain River and 100 kilometres east of James Bay.

The proximity of the James Bay project to local infrastructure, including the accessible road networks, water and power supply are all natural advantages and key to the development of James Bay. The James Bay project is located 0.5km from a full-service road stop with helicopter access, fuel, motel and restaurant services, which is situated 380km away from the mining town of Matagami (where numerous services relating to construction and mining are available) and just over 800km from Montreal in the north-west region of Québec Province, Canada. The James Bay project is readily accessible by paved road as the James Bay Highway bisects the property and the airstrip is only 15 kilometres away.

The James Bay deposit occurs at surface, comprises of several swarms of pegmatite dykes and resource modelling indicates that the resource is amenable to open pit extraction. The topography is gently rolling to flat lying with much of it covered by muskeg. Outcrops are common, usually occurring as mounds or ridges above the surrounding plain. Surface mapping identified 15 different pegmatite swarms, each consisting of up to seven dykes. The individual pegmatite bodies are mainly irregular dykes or lenses attaining up to 60 metres in width and over 100 metres in length. The pegmatite outcrops form a discontinuous band or "corridor" approximately four kilometres long and 300 metres wide, cutting the host rock at a low angle and cross-cutting the regional foliation at a high angle. Spodumene crystals at James Bay are relatively coarse, usually more than 5cm in length and sometimes exceeding one metre.

The key initiatives achieved at James Bay during the half-year were:

- A drilling campaign supporting the Feasibility Study ("**FS**") and Environmental and Social Impact Assessment ("**ESIA**"), was completed. This included sterilization, geotechnical (site infrastructure and pit) and hydrogeological drilling. These results were then used to advance the engineering work in term of geology, developing the mining plan, designing the processing plant and site infrastructure, which includes waste rock pile and tailings facility. Information collected during the drilling campaign undertaken was used to advance the engineering supporting the FS and ESIA for the upstream mine and concentrate production facility, i.e. developing the mining plan, designing the processing plant and site infrastructure, which includes waste rock pile and tailings facility.
- Hydro-Quebec completed their analysis and scoping study report for the construction of the power line for the project through a 7-km spur connection to be made from the James Bay project site to their existing power line. The next phase to be undertaken by Hydro-Quebec involves preparation of the initial design, costing and schedule for the electricity infrastructure needed. The proposed timeline to connect the power is in-line with the overall James Bay development schedule.
- Following submission of the project notice in Q4 of 2017, the Canadian Environmental Assessment Agency ("**CEAA**") published preliminary guidelines for public consultation relating to the ESIA. The CEAA has since received comments from the Cree Nation of Eastmain and from the Cree Nation Government (formerly the Cree Grand Council). The CEAA have requested more detailed information about land use impact and a mitigation plan in the guidelines submitted to Galaxy about the project.
- Engagement with the Cree Nation of Eastmain included meeting with the Band Council of Eastmain and various stakeholders in the community and participation of a public Career Fair in the community. The first public town hall meeting was hosted in Eastmain and was an opportunity for Galaxy to present the progress of the project to the community. Additional consultation meetings are planned for Q3 incorporating a Technical Course, given by a third party, presenting all aspects of a mining project from exploration to operation.
- On the technical side, work in relation to the groundwater characterization resumed. This work was previously stopped due to extreme cold weather during winter. The technical work supporting the ESIA progress is expected to continue during Q2 with the target being to submit the ESIA report in Q3 after incorporating results from the community consultation process.
- Metallurgical test work adopting a conventional processing approach was substantially completed for the proposed downstream conversion facility, with results in-line with the expectation. In parallel, location studies continue with site visits and preliminary discussion undertaken with related local Economic Development Organizations.
- On 21 March 2018, the Government of Quebec approved an amendment to the Environment Act governing the Environmental and Impact assessment of various projects. This amendment highlighted that the conversion of mining concentrate in Quebec for a production level below 40,000 tpa of final product doesn't required a full ESIA process.

Corporate

During the half-year:

- Ms Florencia Heredia was appointed as non-executive director of the Company. She is currently a senior partner of the leading Argentinian legal firm Allende & Brea. Ms Heredia has more than 25 years of experience in the mining industry. She is an expert in mining law with extensive experience advising financial institutions and companies in complex mining transactions in Argentina and has repeatedly represented lenders in all mining project finance arranged in Argentina. The principal focus of Ms Heredia's practice is natural resources, infrastructure and environmental law and finance law related to these areas, assisting multiple companies operating in Argentina.
- ASX advised that Galaxy's classification has changed from a mining exploration entity to a mining producing entity. Consequently, Galaxy is no longer required to lodge appendix 5B's but is now required to lodge preliminary final reports (Appendix 4E) and half yearly reports (Appendix 4D) within two months of the end of the relevant accounting period.
- The Company changed its presentation (reporting) currency from Australian dollars to US dollars, commencing with the 2018 financial year. The half-year financial report for the six months ending 30 June 2018 (Appendix 4D) is presented in US dollars. The Company believes that the change in reporting currency to US dollars will enhance relevance of the Company's financial information and comparability with Galaxy's industry peer group, the majority of which report in US dollars.

EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matter set out below, in the interval between the end of the half-year and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years:

- Definitive documentation for the sale of the northern tenements at Sal de Vida to POSCO was signed on 27 August 2018 after receipt of POSCO and Galaxy Board approval. Satisfaction of the remaining conditions precedent and completion is expected during Q4 2018.
- On 20 August 2018, Galaxy announced a Resource upgrade for Mt Cattlin that included a 14% increase in Measured and Indicated Resources (excluding surface stockpiles) after depletion for mining during the period January to May 2018 compared with the equivalent position as at 31 December 2017.

ROUNDING

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

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with section 307C of the Corporations Act 2001, the directors received the attached independence declaration set out on page 8 and forms part of the directors' report for the half-year ended 30 June 2018.

Signed in accordance with a resolution of the Directors

Anthony Tse
Chief Executive Officer & Managing Director

Dated at Perth on 29 August 2018.

Auditor's Independence Declaration

As lead auditor for the review of Galaxy Resources Limited for the half-year ended 30 June 2018, 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.

Nick Henry
Partner
PricewaterhouseCoopers

Perth
29 August 2018

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Condensed Consolidated Income Statement and Statement of Other Comprehensive Income

For the half-year ended 30 June 2018

	Note	30 June 2018 US$'000	Restated 30 June 2017 US$'000
Profit and Loss for the period			
Operating sales revenue	*3*	88,440	11,306
Cost of sales	*3*	(65,201)	(9,821)
Gross profit		23,239	1,485
Other income	*3*	2,725	1,790
Other expenses	*3*	(8,229)	(4,533)
Profit/(Loss) before income tax and net finance expenses		17,735	(1,258)
Finance income	*3*	394	87
Finance expenses	*3*	(122)	(4,180)
Profit (Loss) before taxation		18,007	(5,351)
Income tax benefit/(expense)		(6,512)	380
Profit/(Loss) after tax attributable to members of the parent		11,495	(4,971)
Other Comprehensive (Loss)/Income for the period			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation reserve			
Foreign currency translation differences – foreign operations		(19,348)	20,029
Items that will not be reclassified to profit or loss			
Fair value reserve			
Changes in the fair value of financial assets designated at fair value through other comprehensive income		(4,617)	-
Tax effect		1,393	-
Other comprehensive (loss)/income for the period		(22,572)	20,029
Total comprehensive (loss)/income for the period attributable to members of the parent		(11,077)	15,058
Earnings/(Loss) per share attributable to the ordinary equity holders of the parent			
Basic profit/(loss) per share (cents per share)		2.822	(1.279)
Diluted profit/(loss) per share (cents per share)		2.787	(1.279)

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

Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Note	30 June 2018 US$'000	Restated 31 December 2017 US$'000
CURRENT ASSETS			
Cash and cash equivalents		45,122	46,629
Receivables		18,939	13,147
Inventories		15,537	8,958
Other		1,138	705
		80,736	69,439
Assets classified as held for sale	*7*	25,868	-
Total Current Assets		106,604	69,439
NON-CURRENT ASSETS			
Property, plant and equipment	*5*	227,061	251,043
Exploration and evaluation assets	*6*	84,944	102,029
Financial assets		23,239	15,846
Deferred tax asset		34,644	41,850
Total Non-Current Assets		369,888	410,768
Total Assets		476,492	480,207
CURRENT LIABILITIES			
Trade and other payables		28,829	23,808
Provisions		503	393
Total Current Liabilities		29,332	24,201
NON-CURRENT LIABILITIES			
Trade and other payables		826	1,741
Provisions		8,487	8,320
Total Non-Current Liabilities		9,313	10,061
Total Liabilities		38,645	34,262
Net Assets		437,847	445,945
EQUITY			
Contributed equity	*8a*	673,304	668,111
Reserves	*8b*	20,973	45,759
Accumulated losses		(256,430)	(267,925)
Total Equity		437,847	445,945

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 30 JUNE 2018

	Contributed Equity US$'000	Reserves US$'000	Accumulated Losses US$'000	Total Equity US$'000
Balance at 1 January 2017 – Restated	595,465	13,891	(268,806)	340,550
Loss for the period	-	-	(4,971)	(4,971)
Other comprehensive loss for the period	-	20,029	-	20,029
Total comprehensive loss	-	20,029	(4,971)	15,058
Placement	47,626	-	-	47,626
Options exercised	6,704	-	-	6,704
Transfer of reserve upon exercise of options	3,493	(3,493)	-	-
Transfer of reserve upon forfeit of options		(754)	754	-
Share-based payments	2,008	386	-	2,394
Share transaction costs	(1,983)	-	-	(1,983)
Balance at 30 June 2017 – Restated	653,313	30,059	(273,023)	410,349
Balance at 1 January 2018	668,111	45,759	(267,925)	445,945
Profit for the period	-	-	11,495	11,495
Other comprehensive loss for the period	-	(22,572)	-	(22,572)
Total comprehensive loss	-	(22,572)	11,495	(11,077)
Transfer of reserve upon exercise of options	4,971	(4,971)	-	-
Share-based payments	222	2,757	-	2,979
Balance at 30 June 2018	673,304	20,973	(256,430)	437,847

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 30 JUNE 2018

	Note	30 June 2018 US$'000	Restated 30 June 2017 US$'000
Operating activities			
Receipts from customers		75,920	10,664
Payments to suppliers, contractors and employees		(44,764)	(4,478)
Net cash inflow from operating activities		31,156	6,186
Investing activities			
Interest received		399	87
Sales proceeds from pre-production		-	9,690
Payments for exploration and evaluation assets		(8,542)	(2,354)
Payments for property, plant and equipment		(11,957)	(17,215)
Payments for financial assets		(17,379)	-
Proceeds from sale of other non-current assets		77	1,822
Proceeds from sale of financial assets		6,391	-
Net cash (outflow) from investing activities		(31,011)	(7,970)
Financing activities			
Net proceeds from issue of shares		-	50,551
Bank charges and interest paid		(30)	(803)
Transaction costs related to loans and borrowings		(396)	(427)
Proceeds from borrowings		-	9,867
Repayments of borrowings		-	(33,709)
Net cash (outflow) / inflow from financing activities		(426)	25,479
Net (decrease) / increase in cash and cash equivalents		(281)	23,695
Cash and cash equivalents at the beginning of the period		46,629	6,712
Effect of foreign exchange rate changes		(1,226)	592
Cash and cash equivalents at the end of the period		45,122	30,999

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

Notes to the Condensed Consolidated Financial Statements

1. CORPORATE INFORMATION

Galaxy Resources Limited ("**Company**") is a for-profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded. The condensed consolidated financial statements of the Company for the half-year ended 30 June 2018 comprise the Company and the entities it controlled ("**Group**").

The Group is primarily involved in mineral exploration and processing.

The financial statements were authorised for issue by the Board of Directors on 29 August 2018.

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

a) Basis of preparation

The interim condensed consolidated financial statements for the half-year ended 30 June 2018 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2017 and any public announcements made by the Company during the half-year ended 30 June 2018 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the *ASX Listing Rules*.

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

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

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards and interpretations effective as of 1 January 2018, and the change in presentation currency from Australian dollars to US dollars. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* that require restatement of previous financial statements. As required by AASB 134, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Change in Presentation Currency

The Group has elected to change its presentation currency from Australian dollars to US dollars effective from 1 January 2018. The Group believes that the change will enhance the relevance of the Group's financial information and comparability with Galaxy's industry peer group, the majority of which report in US dollars. This change constitutes a voluntary change in accounting policy and has been applied retrospectively.

Comparative financial information presented in the interim condensed consolidated financial statements has been translated into US dollars using the procedures outlined below:

(a) The Statements of Comprehensive Income and Cash Flows have been translated to US dollars using average exchange rates for the relevant period.

(b) Assets and liabilities in the Statement of Financial Position have been translated to US dollars using the exchange rate at the relevant balance dates.

(c) The Equity section of the Statement of Financial Position has been converted to US dollars using approximate historical exchange rates.

(d) The exchange rates used were as follows:

Period End	As at Balance Date	Average for the Period
Year-ended 31 December 2017	0.7805	0.7666
Half-year to 30 June 2017	0.7680	0.7550

AASB 15 Revenue from Contracts with Customers

AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted AASB 15 using the modified retrospective method of adoption, electing to apply the Standard retrospectively only to contracts that were not completed contracts at the date of initial application on 1 January 2018. There were no incomplete contracts at 1 January 2018 and consequently, there was no impact on the opening balance of accumulated losses for the half year ended 30 June 2018.

The Group has signed 5 year contracts with customers for the sale of spodumene concentrate from Mt Cattlin that include two performance obligations, being the delivery of spodumene to the vessel for shipment and the delivery of the spodumene to the customers port of discharge on either a "cost insurance freight" ("CIF") or "cost and freights" ("CFR") basis. Accordingly, the Group currently has two sources of revenue being:

- the sale of spodumene concentrate from its Mt Cattlin mine in Western Australia; and
- shipping and insurance costs charged to the customer.

The Group has concluded that revenue from the sale of spodumene is recognized at the point in time when control of the asset is transferred to the customer, which occurs on delivery of the product over the ship's rail on the bill of lading date.

Revenue from shipping and insurance costs are recognized over the period from completion of the bill of lading to the point in which the Group materially fulfils the performance obligation. Certain shipping and insurance revenue that was previously recognised net in cost of sales has been identified as a separate performance obligation upon adoption of the new standard.

There has been no material impact on the amounts reported in the Statement of Financial Position or Statement of Cash Flows as a result of adopting AASB 15. Nor has there been any impact on basic and diluted earnings per share.

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of accounting for financial instruments: classification and measurement, impairment and hedge accounting. The hedge accounting changes are not applicable to the Group.

Classification and measurement

Under AASB 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Financial assets are then subsequently measured at fair value through profit or loss ("FVTPL"), amortised cost, or fair value through other comprehensive income ("FVOCI").

On adoption of AASB 9, Galaxy has reclassified its financial assets as subsequently measured at amortised cost or fair value depending on the business model for those assets and the contractual cash flow characteristics. There was no change in the classification or measurement of financial liabilities. Under AASB 9, the Group's financial assets of cash and cash equivalents and trade and other receivables are classified as 'financial assets at amortised cost'.

At the date of adoption, the Group had one investment that comprised the available-for-sale financial assets. The Group has made an irrevocable election to classify and subsequently measure this investment at FVOCI with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. Equity instruments at FVOCI are not subject to an impairment assessment under AASB 9. At 30 June 2018 and at 31 December 2017, the Group's financial assets comprise investments in quoted equity securities which are measured and carried at fair value and the Group made an irrevocable election at initial recognition (or on transition to AASB 9) to present subsequent changes in FVOCI as the investments are strategic and long-term in nature. The fair value for these financial assets is calculated on a recurring basis at each balance date with reference to quoted prices (unadjusted) in active markets ("**Level 1**"). There were no movements between levels of the fair value hierarchy during the half-year ended 30 June 2018.

In relation to the reclassification and measurement of financial assets and liabilities, there was no impact on the Income Statement, Statement of Comprehensive Income, Statement of Financial Position or Statement of Changes in Equity on adoption of AASB 9. Nor has there been any impact on basic and diluted earnings per share.

Impairment

The adoption of AASB 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward looking expected credit loss ("**ECL**") approach. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The adoption of the ECL requirements of AASB 9 has not resulted in the recognition of an impairment allowance for the Group's receivables. Accordingly, there was no impact on the Statement of Comprehensive Income, Statement of Financial Position or Statement of Changes in Equity, nor has there been any impact on basic and diluted earnings per share.

3. REVENUE AND EXPENSES

	Note	30 June 2018 US$'000	Restated 30 June 2017 US$'000
Operating sales revenue			
Sale of Spodumene concentrate	*(a), (b)*	84,636	11,306
Revenue from shipping activities	*(c)*	3,804	-
		88,440	11,306
Cost of Sales			
Mining costs		(13,513)	(1,454)
Processing costs		(15,674)	(2,205)
Transport costs		(3,415)	(615)
Administration and other site costs		(2,422)	(422)
Royalties		(5,255)	(698)
Sales commission		(4,231)	(563)
Depreciation and amortisation		(24,421)	(2,629)
Shipping activities costs	*(c)*	(3,804)	-
Net inventory movement		7,534	(1,235)
		(65,201)	(9,821)
Other income			
Settlement of legal action		-	1,790
Net foreign exchange gain		1,865	-
Other income		860	-
		2,725	1,790
Other expenses			
Administration expenses		(7,997)	(4,419)
Depreciation		(221)	(52)
Net foreign exchange loss		-	(62)
Other expenses		(11)	-
		(8,229)	(4,533)
Finance income			
Interest income		394	87
Finance expenses			
Interest expense on borrowings		(65)	(658)
Amortisation of capitalised finance costs		(57)	(3,522)
		(122)	(4,180)

(a) During the half-years ended 30 June 2018 and 2017, the Group sold only one type of product, spodumene concentrate, from one source, Mt Cattlin, to customers located in one geographical market, China. The Group has entered into binding offtake agreements with multiple customers for 100% of planned production from Mt Cattlin for 5 years, commencing from 1 January 2018. The initial price agreed for the 2018 year is subject to an annual pricing review between Galaxy and its customers to be completed in the last quarter of each calendar year.

(b) The transition date from pre-production to commercial production at Mt Cattlin was 1 May 2017. Accordingly, for the purposes of preparing the half-year financial reports for the half-year ended 30 June 2017 the net outcome was that:

- all sales proceeds from the sale of 40,052 dmt of spodumene (totalling US$24.7 million before repayment of customer prepayments of US$13.5 million) less pre-production cash and non-cash costs (totalling US$25.9 million) resulted in a net US$1.2 million cost, associated with lithium spodumene produced prior to 1 May 2017, that has been added to the carrying value of the property, plant and equipment as pre-production expenditure and therefore was not recognised in the Profit & Loss for the half-year ended 30 June 2017; and
- only lithium spodumene produced and sold after 1 May 2017 totalling 13,539 dmt was recognised as revenue in the Profit & Loss for the half-year ended 30 June 2017.

(c) Revenue from shipping activities and the associated shipping activities costs are collected from the customer and paid to the supplier by an independent third party. These transactions are non-cash transactions for the purpose of the Statement of Cash Flows.

4. SEGMENT INFORMATION

a) Description of segments

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

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

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

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

b) Segment information provided to the CODM

The following tables present revenue and profit information for the Group's operating segments for the half-year ended 30 June 2018 and 2017 respectively:

Half-year ended 30 June 2018	Corporate US$'000	Australia US$'000	Argentina US$'000	Canada US$'000	Total US$'000
Revenue	-	88,440	-	-	88,440
EBITDA	(4,780)	47,660	(501)	(2)	42,377
Finance Income	24	370	-	-	394
Finance Expenses	(119)	-	(1)	(2)	(122)
Depreciation and amortisation	(55)	(24,421)	(147)	(19)	(24,642)
Profit/(Loss) before income tax	(4,930)	23,609	(649)	(23)	18,007

Restated Half-year ended 30 June 2017	Corporate US$'000	Australia US$'000	Argentina US$'000	Canada US$'000	Total US$'000
Revenue	-	11,306	-	-	11,306
EBITDA	(2,628)	4,114	(44)	(19)	1,423
Finance Income	67	20	-	-	87
Finance Expenses	(4,190)	-	14	(4)	(4,180)
Depreciation and amortisation	(27)	(2,629)	(25)	-	(2,681)
Profit/(Loss) before income tax	(6,778)	1,505	(55)	(23)	(5,351)

Inter-segment revenue for the six months ended 30 June 2018 is $Nil (six months ended 30 June 2017: $Nil).

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2018 and 31 December 2017, respectively:

	Corporate US$'000	Australia US$'000	Argentina US$'000	Canada US$'000	Total US$'000
30 June 2018					
Total Assets	1,721	263,092	96,338	12,336	373,487
Total Liabilities	6,520	25,172	2,052	4,901	38,645
Movement in non-current segment assets during the half-year	(240)	(24,014)	(22,229)	5,603	(40,880)
Restated 31 December 2017					
Total Assets	1,260	275,453	91,496	7,673	375,882
Total Liabilities	4,486	24,970	292	4,514	34,262

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

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

	30 June 2018 US$'000	Restated 31 December 2017 US$'000
Assets		
Total assets for reportable segments	373,487	375,882
Unallocated:		
Cash and cash equivalents	45,122	46,629
Financial assets	23,239	15,846
Deferred tax asset	34,644	41,850
Consolidated total assets	476,492	480,207
Liabilities		
Total liabilities for reportable segments	38,645	34,262
Unallocated		
Interest bearing liabilities	-	-
Consolidated total liabilities	38,645	34,262

5. PROPERTY, PLANT AND EQUIPMENT

	Land US$'000	Plant & Equipment US$'000	Mine Development Expenditure US$'000	Total US$'000
Cost				
Balance at 1 January 2017 – Restated	1,016	92,417	166,518	259,951
Additions	-	7,727	7,352	15,079
Disposals	-	(20)	-	(20)
Foreign exchange movement	86	7,791	14,232	22,109
Balance at 31 December 2017 – Restated	1,102	107,915	188,102	297,119
Additions	378	12,614	-	12,992
Disposals	-	(254)	-	(254)
Foreign exchange movement	(64)	(5,823)	(9,688)	(15,575)
Balance at 30 June 2018	1,416	114,452	178,414	294,282
Accumulated Depreciation				
Balance at 1 January 2017 – Restated	-	(12,482)	(286)	(12,768)
Depreciation	-	(10,874)	(20,978)	(31,852)
Disposals	-	11	-	11
Foreign exchange movement	-	(1,203)	(264)	(1,467)
Balance at 31 December 2017 – Restated	-	(24,548)	(21,528)	(46,076)
Depreciation	-	(7,479)	(17,163)	(24,642)
Disposals	-	114	-	114
Foreign exchange movement	-	1,561	1,822	3,383
Balance at 30 June 2018	-	(30,352)	(36,869)	(67,221)
Net book value				
At 31 December 2017 – Restated	1,102	83,367	166,574	251,043
At 30 June 2018	1,416	84,100	141,545	227,061

6. EXPLORATION AND EVALUATION ASSETS

Carrying Value	Australia – Other US$'000	Australia – Mt Cattlin US$'000	Argentina – Sal de Vida US$'000	Canada – James Bay US$'000	Total US$'000
Balance at 1 January 2017 – Restated	-	3,873	83,277	1,503	88,653
Additions	35	293	3,417	5,256	9,001
Acquisitions	-	39	469	-	508
Impairment	2	-	-	-	2
Foreign exchange movement	-	331	3,299	235	3,865
Balance at 31 December 2017 – Restated	37	4,536	90,462	6,994	102,029
Additions	13	890	3,597	4,787	9,287
Acquisitions	-	444	-	-	444
Disposals	(38)	-	-	-	(38)
Impairment	(1)	-	-	-	(1)
Transfer to assets held for sale	-	-	(25,868)	-	(25,868)
Foreign exchange movement	(2)	(271)	(170)	(466)	(909)
Balance at 30 June 2018	9	5,599	68,021	11,315	84,944

7. ASSETS HELD FOR SALE

During the half-year ended 30 June 2018, Galaxy announced that it had entered into a non-binding agreement with POSCO to sell a package of tenements located on the northern area of the Salar del Hombre Muerto in Argentina, for cash consideration of US$280 million.

The tenement package is situated to the north of Sal de Vida and contains approximately 1.58 million tonnes lithium carbonate equivalent ("**LCE**"), or 28% of the total of 5.67 million tonnes LCE JORC compliant measured and indicated resources for Sal de Vida. The amount disclosed as "*Assets held for sale*" of US$25.8 million represents 28% of the carrying value of exploration and evaluation assets included in Argentina's segment assets in note 4(b).

Definitive documentation was signed on 27 August 2018 after receipt of POSCO and Galaxy Board approval. Satisfaction of the remaining conditions precedent and completion is expected during Q4 2018.

8. EQUITY

a) Contributed equity

(i) Share capital

	30 June 2018 Shares	31 December 2017 Shares	30 June 2018 US$'000	Restated 31 December 2017 US$'000
Fully paid ordinary shares	407,473,758	405,022,009	673,304	668,111

(ii) Movement in ordinary share capital

	Number of Shares '000	Share Capital US$'000
Balance 1 January 2017 (Post consolidation) – Restated	366,509	595,465
Placement	22,600	47,626
Exercise of warrants	10,000	19,807
Exercise of options and SARS	4,882	5,243
Shares issued in lieu of services – non-cash	1,029	2,008
Share transaction costs	-	(2,038)
Rounding on 5 for 1 consolidation	2	-
Balance at 31 December 2017 – Restated	405,022	668,111
Exercise of options	2,242	4,788
Employee exercise of SARS	117	183
Issued as part consideration for acquisition of exploration licenses	93	222
Balance at 30 June 2018	407,474	673,304

b) Reserves

The following table shows the movements in reserves during the year.

	Equity-settled payments reserve US$'000	Foreign currency translation reserve US$'000	Fair value reserve US$'000	Capital reserve US$'000	Total reserves US$'000
Balance at 1 January 2017 – Restated	18,248	(7,980)	-	3,623	13,891
Foreign currency translation differences	-	20,029	-	-	20,029
Total comprehensive loss	-	20,029	-	-	20,029
Transactions with owners in their capacity as owners:					
Transfer of reserve upon exercise of options	(3,493)	-	-	-	(3,493)
Transfer of reserve upon forfeit of options	(754)	-	-	-	(754)
Share-based payment transactions	386	-	-	-	386
Balance at 30 June 2017 – Restated	14,387	12,049	-	3,623	30,059
Balance at 1 January 2018	16,254	16,650	9,232	3,623	45,759
Foreign currency translation differences	-	(19,348)	-	-	(19,348)
Revaluation of financial assets at FVOCI, net of tax	-	-	(3,224)	-	(3,224)
Total comprehensive loss	-	(19,348)	(3,224)	-	(22,572)
Transactions with owners in their capacity as owners:					
Transfer of reserve upon exercise of options	(4,971)	-	-	-	(4,971)
Share-based payment transactions	2,757	-	-	-	2,757
Balance at 30 June 2018	14,040	(2,698)	6,008	3,623	20,973

c) Share Based Payments

Set out below is a summary of unlisted options issued during the half-year ended 30 June 2018:

(i) Unlisted Options issued to Employees

During the half-year to 30 June 2018, the Company issued 900,000 unlisted options to employees pursuant to the terms of the Employee Option Plan approved by shareholders at the AGM held on 18 May 2017. Full details of the Employee Option Plan are contained in the notice of meeting distributed to shareholders for the AGM.

The vesting conditions are set out below:

Tranche	%	Vesting Condition
A	30	26 March 2019 being 12 months continuous employment or service from date Option is granted
B	30	26 March 2020 being 24 months continuous employment or service from date Option is granted
C	40	Upon the Directors of the Company making a decision to develop the Company's Sal de Vida Project or James Bay Project

The unlisted options granted to employees have been valued at a weighted average fair value of $1.016 and will be expensed to the profit or loss over the period that the employees unconditionally become entitled to exercise the options. The valuation was performed using a Black Scholes model with the following assumptions:

Dividend yield	%	-
Expected volatility	%	61.9% - 75.8%
Risk free interest rate	%	0% – 2.11%
Expected life of options	Years	1 – 3
Option exercise price	$	$3.66
Share price at grant date	$	$3.23

9. COMMITMENTS AND CONTINGENCIES

a) Capital commitments

Mining tenements

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

b) Non-cancellable operating leases

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. There have been no significant changes to the commitments and contingencies disclosed in the most recent financial report.

c) Contingent assets and liabilities

The Group had no material contingent liabilities or contingent assets at 30 June 2018 (31 December 2017: nil). The Group occasionally receives claims arising from its activities in the normal course of business. It is expected that any liabilities arising from such claims would not have a material effect on the Group's operating results or financial performance.

10. EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matter set out below, in the interval between the end of the half-year and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years:

- Definitive documentation for the sale of the northern tenements at Sal de Vida to POSCO was signed on 27 August 2018 after receipt of POSCO and Galaxy Board approval. Satisfaction of the remaining conditions precedent and completion is expected during Q4 2018.
- On 20 August 2018, Galaxy announced a Resource upgrade for Mt Cattlin that included a 14% increase in Measured and Indicated Resources (excluding surface stockpiles) after depletion for mining during the period January to May 2018 compared with the equivalent position as at 31 December 2017.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the half-year financial statements and notes set out on pages 9 to 23 are in accordance with the Corporations Act 2001 including:

   i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   ii. giving a true and fair view of the Group's financial position as at 30 June 2018 and its performance for the half-year ended on that date; and

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

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

Anthony Tse
Chief Executive Officer & Managing Director

Dated in Perth on 29 August 2018.

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

Report on the Condensed Consolidated Half-Year Financial Report

We have reviewed the accompanying condensed consolidated half-year financial report of Galaxy Resources Limited (the Company), which comprises the condensed consolidated statement of financial position as at 30 June 2018, the condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and condensed consolidated income statement and statement of comprehensive income for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Galaxy Resources Limited. The Group comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the condensed consolidated half-year financial report

The directors of the Company are responsible for the preparation of the condensed consolidated half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the condensed consolidated 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 condensed consolidated 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 condensed consolidated half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2018 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 condensed consolidated 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*.

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Conclusion

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

1. giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

PricewaterhouseCoopers

H Henry

Nick Henry
Partner

Perth
29 August 2018