

ANNUAL REPORT

Year Ended 31 December 2020

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GALAXY

GALAXY RESOURCES LIMITED

CORPORATE DIRECTORY

Board of Directors

Mr Martin Rowley	(Independent Non-Executive Chairman)
Mr Anthony Tse	(Executive Director)
Mr Peter Bacchus	(Independent Non-Executive Director)
Mr John Turner	(Independent Non-Executive Director)
Ms Florencia Heredia	(Independent Non-Executive Director)
Mr Alan Fitzpatrick	(Independent Non-Executive Director)

Chief Executive Officer

Mr Simon Hay

Chief Financial Officer

Mr Alan Rule

Company Secretary

Mr John Sanders

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Australian Business Number

11 071 976 442

Stock Exchange Listing

ASX Code: GXY

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2020 reporting suite
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CHAIRMAN'S LETTER



"Galaxy is in a prime position to leverage its portfolio of world class assets to meet an electric-vehicle lead lithium demand surge."

On behalf of the Board, I am proud to present our Annual Report for the 2020 financial year. 2020 was unprecedented with the onset of the COVID-19 pandemic. Fortunately, Galaxy had the management systems in place and the safety net of a strong balance sheet to enable it to stay on course with its strategy to create a large scale, sustainable lithium chemicals business to power the future.

There wouldn't have been a single risk register in the world that contemplated the pandemic's disruptions to businesses and societies. Galaxy, however, was able to react quickly and effectively to ensure the safety of its staff, contractors and communities in which we operate. The decisive actions taken meant that there were no positive cases recorded at any of our sites or corporate offices. Project development activities and operations were able to continue uninterrupted because of our staff making many sacrifices and changes to their normal work practises. I sincerely thank them for their sustained efforts during this difficult period.

The year commenced with lithium prices under pressure with the build-up of supply from new operations, commencing in 2019, exceeding industry demand. This market imbalance was then intensified by the pandemic. Galaxy responded by altering the production profile at Mt Cattlin in order to conserve cash and reduce costs. Strong customer relationships were maintained by continuing to deliver product to them albeit at a reduced volume and pricing.

Due to our strong financial situation we were able to continue with the pace of development for our long-life Sal de Vida brine project in Argentina maintaining the project schedule for first production in late 2022.

The fourth quarter of 2020 saw the start of a strong recovery in the lithium market which has continued into 2021. Galaxy is in a prime position to leverage its portfolio of world class assets to meet an electric-vehicle lead lithium demand surge. We have a high degree of confidence in the medium to long term fundamentals of the lithium market.

Normal commodity markets are driven by demand and supply movements however the renewables commodities including lithium are now fundamentally being underwritten by Government legislation throughout the world as society pressures their leaders to support climate change initiatives, particularly the transition to clean energy and phasing out of internal combustion transport.

We see this oncoming demand and global trend as a unique opportunity to develop and grow Galaxy in a sector where there are relatively few participants to meet future demand. Galaxy is in prime position to be one of the leading participants in this renewables space with its strong financial position, excellent long life assets in the design and execution phase and a Board and executive team that is bold and effective with its decision making.



I am proud to report that despite the disruptions of COVID, Galaxy remains in a very strong financial position with US\$215 million in cash and financial assets and nil debt. We were able to successfully complete a fully underwritten equity financing for a total of A\$161 million in late 2020 which was strongly supported by both new and existing shareholders, including both Australian and international institutions. The addition of the cash from this equity issue means that the Company is now funded to develop and commission stage 1 of the Sal de Vida project by the end of 2022.

Galaxy is also funded to accelerate its James Bay project to a construction ready status by the end of this year. The recent release of the James Bay preliminary economic assessment confirms it is a viable, low-cost spodumene operation and the most competitive in its region due to Galaxy's significant experience in developing and operating Mt Cattlin. With zero debt on the balance sheet and a high degree of confidence in the future, there is also flexibility for appropriate levels of gearing to be utilised in order to maximise returns to equity holders.

Despite COVID, Galaxy has still been able to deliver improved safety performance in 2020 which is very pleasing. Safety, sustainability and diversity are core to our business, and we are committed to social and environmental engagement to ensure our targets for each of these are met.

2020 was an extraordinary year for everyone. I sincerely thank my fellow Directors for their commitment and dedication in a year where the Board was unable to meet physically once. Some Board meetings will continue to be held remotely but there is optimism, with the rollout of vaccines worldwide, that towards the end of the 2021 the Board may be able to meet physically again. In my view this makes for far better and sustained discussion and interaction and most importantly the opportunity for Directors to see firsthand the Company's operations and to meet and interact socially with all staff.

I also extend my thanks and appreciation to our CEO Simon Hay and his senior leadership team who continued the development of Galaxy's growth strategy by maintaining the schedule of Sal de Vida in difficult and trying circumstances.

I also thank our shareholders for their continued support. We have great belief in our industry and Galaxy and its shareholders are perfectly positioned to benefit from the expected demand/supply imbalance that we see as being inevitable. I encourage you to attend our AGM in May this year as it currently seems like a physical meeting can be held. I look forward to meeting you there.

Martin Rowley

Chairman

22 March 2021

MESSAGE FROM OUR CEO



Dear Shareholders

Despite challenges thrown at the company in 2020, we achieved the majority of our corporate objectives by taking rapid and effective actions to limit the impact of COVID-19 and poor market conditions in the lithium sector.

COVID mitigating actions were successful with no outbreaks at any site nor cases introduced into our neighbouring communities. Our operations and projects suffered minimal impact and I believe these results were due to the tremendous efforts of our workers. In particular, I would like to call out Mt Cattlin staff and contractors who switched from FIFO to residential status with a few hours' notice in some cases. This transition was for a number of months and the response was truly exceptional. Our staff in Argentina who coped with numerous cases in the vicinity of their homes and workplaces. Our staff in Canada who spent 9 months working from home. Thank you to all for your commitment.

Very pleasingly, Galaxy delivered improved safety performance in 2020 with a significant reduction in recordable injuries due to enhanced safety measures including positive lead indicators. Sustainable practices are our highest priority and we continue our commitment to our social engagement, environmental stewardship and alignment to international standards. We have a fantastic opportunity to embed sustainability practices into Sal de Vida and James Bay's project design to deliver responsibly and ethically mined materials to the market. We have established sustainability targets including an initial target to source greater than 50% of our projects' energy needs from renewable sources.

Market conditions were highly variable throughout the year with very soft demand and pricing for the first three quarters. In response we took steps to protect the company's assets with broad activity and cost reductions across the company. However, we did not slow down Sal de Vida due to our strong conviction in the near-term growth prospects of the lithium industry. These convictions were vindicated when the lithium market recovery emerged in Q4 2020, much sooner than most predictions. We maintained the Sal de Vida project schedule with first production slated for late 2022 whereas many competitor projects were delayed or stopped completely.

Similarly at Mt Cattlin, our decision to continue operations despite poor pricing has positioned the operation to respond quickly and benefit from the uplift in demand and pricing evident in 2021. Galaxy is one of the few producers with the ability to bring on extra capacity and has recently ramped production to full rate in response to increased customer demand. The installation of the optical ore sorter circuit will also have enduring benefits with the consumption of stockpiled low-grade ore to continue in 2021.

Our progress at Sal de Vida was substantial with the highlights being completion of the test ponds and pilot plant, FEED nearing completion and commencement of construction with drilling of the production wellfield. We continued capacity-building initiatives in Catamarca Province and expanding our project team whilst commencing operational workforce planning. Permitting is on track and securing the water permit was a major achievement.

Post reporting period, Sal de Vida successfully achieved battery grade lithium carbonate through the R&D test work program and onsite piloting. These exceptional results confirmed that this product upgrade can seamlessly be incorporated into Stage 1 through the addition of a simple bolt-on process to the flowsheet with no interruption to project schedule. Galaxy is now adopting battery grade for Sal de Vida, opening up direct access to top tier value chains, enabling higher margins and avoiding competition in the lower grade sectors.

On the James Bay Project, the value engineering program significantly reduced capital costs and the team then commenced a preliminary economic assessment (PEA) to tie together all engineering works to provide a go-forward basis of design and financials. Galaxy has applied its significant operational skills from Mt Cattlin to James Bay design and as a result the recent release of the PEA revealed it is the most competitive project regionally, particularly from a capital intensity and operating cost perspective. The approximate three-year development timeframe looks ideal as the lithium chemicals industry in North America and Europe commences a major expansion over the same period. James Bay is ideally located to supply into either region or globally. It is our intention to integrate the project with a downstream solution through a partnering approach to secure a product offtake and tap into the higher-margin downstream sector.

2021 will see major milestones on our growth projects with completion of the engineering design at Sal de Vida and commencement of large-scale construction activities. Whilst at James Bay, the PEA will come to a conclusion, engineering and permitting will be undertaken and engagement with prospective downstream partners will continue in earnest.

Overall Galaxy is well on the path to achieving our corporate objective of building a sustainable, large scale, global lithium chemicals business. The successful capital raise of late 2020 also provides us with funding certainty to execute our growth pipeline.

A handwritten signature in black ink, appearing to read "Simon Hay".

Simon Hay, CEO
22 March 2021

GALAXY AT A GLANCE

Galaxy Resources Limited ("Galaxy" or the "Company") is a leading producer and developer of lithium with an impressive and diversified asset portfolio including an operational hard rock mine and concentrator in Western Australia, a tier 1 brine development project in Argentina and a strategic, hard rock spodumene project in Canada.

The ASX-listed company has gained recognition in the industry as a proven and reliable producer of lithium concentrate due to its continued success at its Mt Cattlin operations. The wholly owned project consistently produces high quality product that is accepted in supply chains globally and offtake for its life of mine is fully contracted.

Galaxy is in a unique position to fuel a global electrical revolution with both its brine and hard rock development projects on an expedited path to production.

Galaxy strives to become a major global producer of lithium and is executing its corporate strategy to swiftly deliver its two world-class growth assets to the market in a sustainable and competitive manner.

Galaxy is focused on building its flagship project, Sal de Vida, into a highly competitive, low-cost brine operation. The wholly owned project, located in Catamarca Province, Argentina has gained recognition as a tier 1 asset due to its large scale, high grade and superior brine chemistry.

The James Bay spodumene project in Québec, Canada is being accelerated to a construction ready status. The wholly owned project has a high grade, near surface deposit and is ideally located to supply the rising lithium demand from the North American and European electric vehicle market.

CORPORATE OBJECTIVE

To create a sustainable, large scale, global lithium chemicals business to power the future.

VALUES

Galaxy's six values underpin everything we do and are fundamental in achieving our vision through the success and growth of our business and people.

Commitment

Sustained investment in our goals



Accountability

Delivery and ownership



Teamwork

Strength in collaboration



Empowerment

Encourage a dynamic working environment



Respect

Understanding and celebration of diversity



Integrity

Foremost in everything we do

2020 HIGHLIGHTS

CORPORATE AND FINANCIAL

- **A\$161.1 million equity financing package**
Strong support from existing shareholders and new, institutional investors
- **Cash and financial assets**
US\$210.4 million
109% increase on 2019
- **Loss before tax**
US\$31.2 million largely due to mid-year impairment of US\$25.0 million on inventory, property plant and equipment
89% improvement from 2019
- **Debt**
Nil
US\$40 million debt facility in place

SUSTAINABILITY

- **Safety**
9.38 TRIFR
35% improvement from 2019
- **Enhanced safety measures implemented**
Including project lead indicators and COVID-19 preventative measures
- **Positive feedback from Sal de Vida community**
Social baseline study completed and positive results received in the perception review
- **Sustainable designs**
Climate change impact studies incorporated into Sal de Vida project design
- **Association of Mining and Exploration Company Award Nomination**
For Mt Cattlin's "Pitch your Project" community initiative

MT CATTIN

- **Achieved annual production targets**
Moderated to adapt to soft market conditions
- **Front-end optical sorters commissioned**
217,044 wmt of stockpiled ore processed, contributing ~20% of annual throughput
- **Lithium concentrate produced**
108,658 dmt, 43% decrease on 2019
- **Lithium concentrate sold**
150,630 dmt, 14% increase on 2019
- **Final Product Grade**
5.95 % Li₂O
Marginal increase on 2019

SAL DE VIDA

- **Lowest quartile capital and operating costs**
Supported by front-end engineering design outcomes
- **Construction and early works commenced**
Production wellfield drilling and non-process infrastructure underway
- **Technical breakthrough achieved**
Piloting onsite successfully produced technical grade lithium carbonate at the upper end of its product quality
- **Battery grade R&D program commenced**
To test the production of battery grade from the same flowsheet - success achieved post reporting period
- **Major advancements towards execution**
Maintained schedule for majority of the year despite restrictions arising from COVID-19

JAMES BAY

- **A regionally competitive project**
Supported by Preliminary Economic Assessment released in March 2021
- **Capital and operating costs reduced**
Supported by value engineering work
- **Accelerating to construction ready status by the end of 2021**
In response to increased demand from the European and North America EV markets
- **Strong stakeholder engagement**
Engagement continues with all stakeholders, particularly the Cree Nation

SAL DE VIDA

Development of a tier 1 asset
into a competitive, low cost
brine operation

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2020 Highlights

Front-end engineering design (“**FEED**”) outcomes indicate lowest quartile capital and operating costs

Process flowsheet and operating assumptions validated and independently reviewed

Construction commenced with production wellfield drilling and non-process infrastructure underway

R&D program well advanced in the testing of battery grade from the same flowsheet

Piloting onsite successfully produced technical grade lithium carbonate and is approaching battery grade

Background

The Sal de Vida lithium brine project (“**Sal de Vida**”), wholly owned by Galaxy, is located on the Salar del Hombre Muerto in the Province of Catamarca in northwest Argentina. Sal de Vida is Galaxy’s flagship project, representing one of the world’s largest and highest quality undeveloped lithium brine deposits.

The combination of superior brine chemistry, high lithium grade and the large volume of extractable brine distinguishes Sal de Vida from many of its peers as a tier 1 lithium development asset. The asset has a JORC-compliant Ore Reserve estimate of 1.1 million tonnes of retrievable lithium carbonate equivalent supporting a long life, low cost project.

Galaxy is de-risking the development of Sal de Vida by adopting a simplified flowsheet, utilising mature technology and by staging development to smooth capital expenditure and reduce market risk. Stage 1 targets a brine evaporation and processing operation to produce high grade lithium carbonate product. Stages 2 and 3 will entail duplication of Stage 1, allowing project integration planning and detailed engineering to swiftly take place. The final stage envisages purification to battery grade at an offsite location.

Success in the development work aimed at producing battery grade product through the simplified flowsheet would render the final purification step unnecessary. The priority is to finalise the evaporation operation and retain optionality regarding purification.

Onsite Activities

Pilot ponds and plant

Construction and commissioning of 15 Ha of demonstration evaporation ponds, a production well and the onsite pilot plant was achieved. After adapting operations to restrictions arising from COVID-19, operations continued smoothly with successful pumping and filling of the ponds, brine management and production. Remote monitoring and additional technical support from Perth were also provided. By December three pilot runs successfully produced lithium carbonate onsite from evaporated brine, validating operating and design assumptions at all stages within the process flowsheet.



Hydrogeology

A long-term hydrological pump test was successfully completed in June with 30 days of continuous brine flow from an operational well. Significant data was collected during the test relating to brine volume, quality and aquifer behavior. Results validated aquifer performance parameters in groundwater flow models and confirmed recharge and dilution assumptions.



Brine production wellfield drilling



Site accommodation facility

Production wellfield drilling

Towards the end of the year, the drilling contractor mobilised to site and operational wellfield drilling commenced for Stage 1 production. The program will drill eight production wells in the eastern side of the salar. At least two of the drill holes will extend approximately twice the depth of all prior drilling. The information obtained will be used to update Sal de Vida's Resource and Reserve Statement, which will be released later in 2021. The first well was completed, installed and pump tested in January 2021.

Infrastructure

Early works, including an upgrade to the camp facilities and water distribution system, took place during the year to support the piloting and wellfield drilling activities. Internal roads were also upgraded and constructed to provide safe and simple access to key areas and support development activities.

Further expansions of the camp facilities have commenced to support the construction phase and accommodate 220 people, almost double the current capacity.

Process Development

During the year a test work program was conducted in Australia with the Australian Nuclear Science and Technology Organisation ("ANSTO Minerals"). ANSTO Minerals is an independent metallurgical testing facility recognised in the industry for assisting in the development of successful commercial process flow sheets.

Test work used Sal de Vida brine and Argentinian reagents and focused on reducing reagent consumption whilst simultaneously optimising costs, product quality and recovery. Recoveries were in-line with expectations and process models, further validating Galaxy's internally developed process flowsheet. The program delivered outstanding results and exceeded initial targets by demonstrating the production of technical grade lithium carbonate at the upper end of the expected quality range.

Piloting

These results were further validated by three successful piloting runs onsite producing ~800kg of >99% lithium carbonate. As a result of the positive test results, final product for Stage 1 was initially upgraded to technical grade allowing Galaxy to target higher prices associated with the higher grade and quality. Importantly this product upgrade, from the original primary grade target, entails minimal changes or additional capital to the flowsheet and has been incorporated seamlessly into development plans.



Galaxy owned and operated site laboratory

Bagging of Lithium carbonate from pilot plant operation

Sampling Lithium carbonate from pilot plant operation

The first run demonstrated all process stages, from evaporated brine through to final product, was operational and effective. By the second run, technical grade specifications were achieved in line with processing parameters, further validating the process design assumptions.

The third run focused on implementing knowledge gained from previous runs, operating with greater precision and fine-tuning full-scale operational parameters. This paid off with lithium carbonate purity peaking at 99.9% and impurity levels continuing to improve, with the exception of Mg (Table 1). This product quality approached battery grade specifications and these results were achieved with no changes to the process flowsheet, demonstrating the outstanding potential of this Galaxy-designed process. Product samples have also been assessed by ANSTO Minerals and equipment manufacturers prior to sample dispatch to prospective customers.

Table 1: Pilot run lithium carbonate grades and impurity levels

Impurity species (ppm)							
Pilot run	Lithium carbonate purity	Ca	Mg	K	B	SO ₄	Na
#2	99.75%	320	140	60	50	130	240
#3	99.85%	101	157	36	42	55	121

Post reporting period

Given the success of the piloting program, Galaxy will continue to operate the pilot plant in 2021 with objectives to:

- fine tune operational parameters for the production phase;
- conduct operational staff training;
- generate further samples for potential offtake customers; and
- support research and development activities to support the production of battery grade product.

The battery grade R&D program will continue in Australia and onsite throughout 2021. Post reporting period, battery grade was successfully achieved and adopted for Stage 1. Results confirmed this product upgrade can be achieved through the addition of a simple bolt-on process at the end of the flowsheet. No impact on Stage 1 design work or scheduling is planned from this adoption.

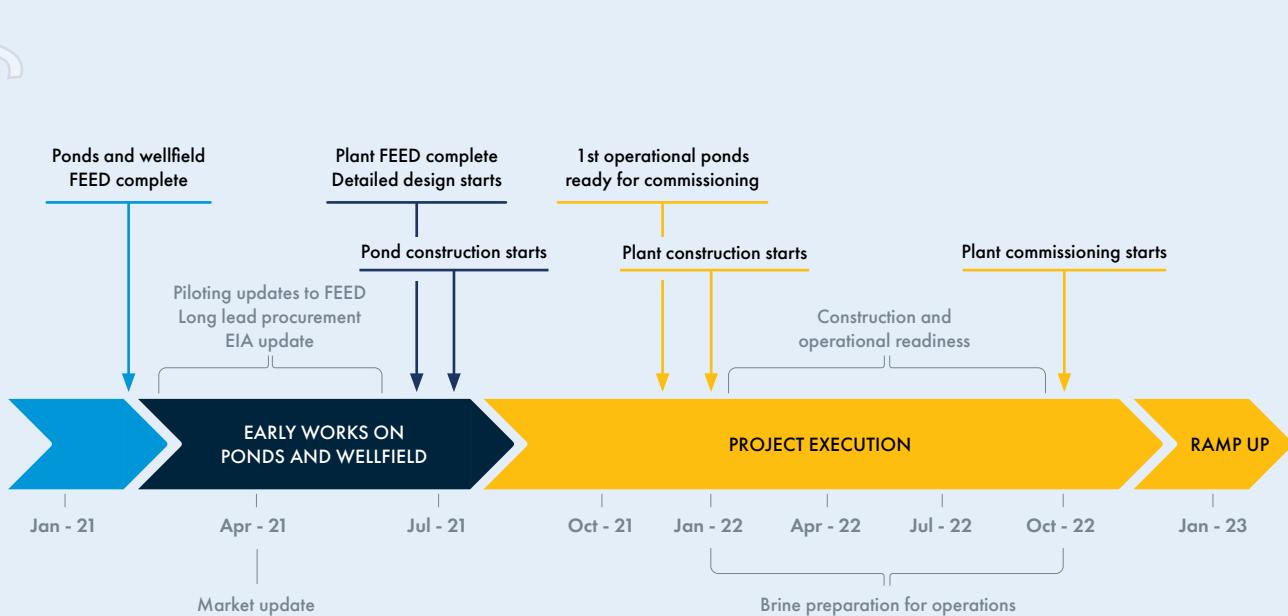


Figure 1: Indicative, high-level project schedule based on eventual easing of COVID-19 restrictions

Intellectual property

Galaxy's novel flowsheet has delivered outstanding results to date which have been validated both onsite and in Australia by ANSTO Minerals. The process has low development risk in terms of maturity of equipment utilised and individual chemical process steps employed. The Company moved to protect this intellectual property by lodging a patent application in late 2020.

Project Schedule

In March, the Argentina Federal Government imposed mandatory restrictions on development projects due to COVID-19 and the Sal de Vida site workforce was mostly demobilised. The resumption of development projects was permitted from May and site works resumed under strict provincial protocols. These controls remain in place and continue to impact ground transportation, provision of goods and services and personnel movement and rosters. Galaxy has adopted additional measures to protect the safety and wellbeing of its workforce and surrounding communities while also maintaining development activities with minimal impacts to costs and schedule.

After an initial delay to onsite activities, the overall impact on the full project schedule was minimised through the adoption of an early works phase as displayed in Figure 1. Galaxy is still targeting first production from Stage 1 in 2022 and by the end of 2020, FEED for the wellfields to ponds neared completion and the second package for the process plant and infrastructure was well advanced. Plans for 2021 include production well-field drilling and other early works including the procurement of long lead items and the commencement of pond construction.

This schedule is based on eventual easing of COVID-19 restrictions and in the event that they do not ease timeously, Galaxy will further adapt its execution strategy where possible while prioritising the health and safety of its workforce and the surrounding communities. The project team monitors the progress of all work packages closely and continues to develop contingency plans to mitigate major risk elements where feasible.



Post reporting period, the construction of the high school in El Peñón village was completed and handed over to the Ministry of Education



A collaboration programme for local rural producers benefiting more than 250 families

Community engagement

Galaxy is committed to regularly engaging with community stakeholders to provide positive, lasting benefits through employment opportunities and educational initiatives. The Company aims to maximise local employment and procurement of local goods and services. Currently 100% of the site workforce is Argentinian, with no expatriates and over 80% of the local workforce is from Catamarca.

As part of a two-year agreement with the Government of Catamarca, the Company has committed to the expansion of two regional schools and the establishment of a first aid facility. Construction of the high school and primary school expansion were well advanced by year end, despite experiencing some COVID-19 related delays. Construction of the first aid facility is expected to commence in Q1 2021 after being postponed due to restrictions.

Analysis of the social baseline study completed earlier in the year revealed high levels of community recognition and support for Galaxy and the Sal de Vida project. Many community initiatives took place during the year including a virtual lithium seminar at the University of Catamarca and provision of medical supplies to the Antofagasta de la Sierra hospital to assist in preventing the spread of COVID-19.

Galaxy will continue to focus on community engagement and support across the targeted areas of critical infrastructure, health and wellness and education, sport and cultural activities.

MT CATTLIN

A mature and stable operation producing high quality spodumene concentrate

Galaxy Resources Limited



Background

The Mt Cattlin spodumene project ("**Mt Cattlin**") is a reliable producer of high-quality lithium concentrate (spodumene) that is qualified in supply chains globally. This wholly owned project is located two kilometres north of the town of Ravensthorpe in Western Australia.

Conventional mining and processing techniques are used for Mt Cattlin with open-pit mining of a relatively flat-lying pegmatite ore body. Mining is carried out using excavator and truck operations, delivering ore to a crushing and dense medium separation ("**DMS**") gravity recovery circuit. Contractors are used for grade control drilling and earthmoving operations including drilling, blasting, and load and haul.

Mt Cattlin produces lithium concentrate with grade up to 6.0% Li₂O that is trucked to Esperance Port for export to an Asian customer base. Offtake is contracted for the project's life of mine.

As at 31 December 2020, Mt Cattlin had a Mineral Resource of 12.0Mt at 1.3% Li₂O and an Ore Reserve of 8.0Mt @ 1.1% Li₂O.

Operations

In late 2020 Mt Cattlin incurred its first Lost Time Incident ("LTI") since the restart of operations in late 2016 when a contractor injured their face. The contractor subsequently made a full recovery and corrective actions were implemented to prevent recurrence.

Galaxy moderated operational settings in 2020 to ~50-55% of nameplate capacity to adapt to soft conditions in the lithium market. In line with this market driven strategy, operations re-commenced in mid-February 2020 after a six-week planned outage, prioritising the processing of low-grade stockpiled ore and draw down of final product inventory levels.

A new mining contractor mobilised to site smoothly and commenced activities in late February 2020. Mining activities focused on mining ore from the 2SE pit and pre-stripping waste in the 2NE pit which will be the main ore source in 2021.

2020 Highlights

Annual production targets achieved

Front-end optical ore sorters successfully commissioned

Lithium concentrate produced: 108,658 dmt, 43% decrease on 2019

Lithium concentrate sold: 150,631 dmt, 14% increase on 2019

Final Product Grade: 5.95 % Li₂O

Mining volumes of 1,767,211 bcm were in line with the annual target and cost savings were realised across a number of areas. This included enhanced drill and blast patterns to increase drilling efficiency and optimisation of the waste stockpile design to reduce haulage and mining costs.

During the year, 1,086,364 wet metric tonnes ("wmt") of ore was processed at a head grade of 1.1% Li₂O. As part of Galaxy's strategy to control unit costs, front-end optical ore sorters ("ore sorters") were commissioned in the March quarter to upgrade low-grade ore which has previously been expensed and stockpiled at site. The ore sorters are designed to detect and reject the basalt content contained in the stockpiled ore before presenting it to the plant.

The ore sorters' contribution to throughput increased considerably in the June quarter with ~400 t / day of sorted ore processed in April accelerating up to over 1,000 t/day by June. For the full year, the circuit contributed a total of 217,044 wmt of feed to the plant, which was 20% of total throughput.

Galaxy achieved production of 108,658 dmt of lithium concentrate at a 5.95% Li₂O final product grade. Production volumes for FY2020 exceeded the original guidance range of 90,000 – 105,000 dmt and final product grade represents a marginal increase compared to FY2019, reinforcing Galaxy's position in the market as a reliable producer of high-quality lithium concentrate.

Sales

Due to improved customer demand at the end of the year, Galaxy shipped a record 75,366 dmt of spodumene concentrate during the December quarter averaging 5.8% Li₂O. In aggregate, annual shipments of 150,630 dmt represents a 14% increase from the prior year. Final product inventory at year end was reduced to approximately 17,000 tonnes, a ~74% decrease to inventory levels at 31 December 2019.

In preparation for the forecast increase in lithium demand, spodumene converters sought to secure long term feedstock to meet their expansions in production capacity. A three-year extension from January 2023 was executed with major customer, Yahua International Investment and Development Co., Ltd, for a minimum of 120,000 dmt per annum. Additionally, a three-year offtake agreement was executed with a new customer, Chengxin Lithium Group Co. Ltd, commencing in January 2021 for 60,000 dmt per annum.

2021 Outlook

Galaxy is experiencing solid demand for its spodumene product as significant growth in global EV sales strengthens lithium chemicals demand and utilisation rates of spodumene converters. Improved pricing is evident across the value chain due to supply side tightness coinciding with improving demand and reducing inventory levels.

Galaxy shipped 45,000 dmt in the March quarter at a materially higher price and expects to continue selling on a spot basis as price recovery continues. Galaxy's marketing plans for 2021 are for sales to broadly match production.

In early 2021, operations at Mt Cattlin ramped up to full rate in response to improving prices, low inventory and strong demand from Galaxy's customers. Galaxy is targeting annual production of 185,000-200,000 dmt of spodumene concentrate and expects recovery, costs and efficiency gains in operating at full rate.

JAMES BAY

A regionally competitive spodumene project, strategically located to supply rising demand

Galaxy Resources Limited



Background

The James Bay lithium pegmatite project ("James Bay"), wholly owned by Galaxy, is located in Québec, Canada, approximately 130km east of the Eastmain community. James Bay represents one of the highest quality lithium development projects in North America and provides strong future growth potential within Galaxy's portfolio.

The project comprises five sets of claim blocks with a JORC-compliant defined mineral resource estimate of 40.3 Mt @ 1.40% Li₂O. The high-grade deposit is shallow and relatively flat-lying, outcropping at surface in several locations. It comprises a swarm of pegmatite dykes that form a discontinuous corridor approximately 4 kilometres long and 300 metres wide that is amenable to open pit extraction.

The proximity of the project to local infrastructure, including accessible major road networks, accommodation, water and a low cost / sustainable supply of hydroelectricity in the region represent natural advantages to the project.

Galaxy is de-risking the James Bay Project by utilising its existing spodumene mining and processing knowhow and flow sheet from Mt Catlin. The current focus remains on the upstream development feasibility, ensuring that the fundamentals are highly competitive on both capital intensity and operating costs.

Project activities

Industry developments and government stimulus targeting net zero emissions have accelerated demand for electric vehicles ("EV") and lithium chemicals, particularly in Europe and North America. Tesla's Battery Day in September highlighted the need to localise supply of raw materials in North America to support increasing EV production capacity. In the wake of the COVID-19 pandemic, the European Union also launched a Green Recovery Deal to transition to 100% clean energy. In response to rising demand in these regions, Galaxy is accelerating James Bay to a construction-ready state by the end of 2021 as it is strategically located to supply these growing markets.

2020 Highlights

Value engineering work successfully reduced capital and operating costs

A Preliminary Economic Assessment commenced to support a globally competitive operation

Targeting construction ready status by 2021 in response to emerging demand

Engagement continues with stakeholders, particularly the Cree Nation

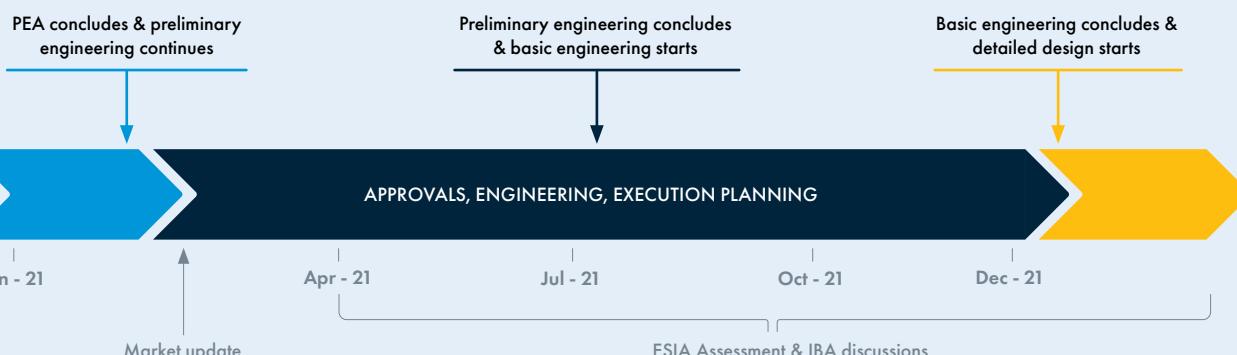


Figure 1: High level, indicative project schedule for 2021

Project activities during 2020 were focused on a value engineering program to optimise capital and operating costs of the project. Mine and plant designs were reviewed in terms of size and scale, location of mine infrastructure, dumps, roads and plant layout. No fundamental changes were made to the key project design criteria such as processing technology, throughput capacity, recovery, grade and prices. The value engineering exercise was successful in reducing the capital intensity of the project by ~30% and the cash costs of production (excluding shipping and royalties) by ~10%. With these encouraging results Galaxy is confident the project can be developed into a globally competitive lithium concentrate supplier and will move the project into the next stage of development in 2021.

A Preliminary Economic Assessment ("PEA") commenced in the second half and by year end was near complete with release in Q1 2021. The PEA integrates findings from previous engineering and technical reviews including the 2020 value engineering program.

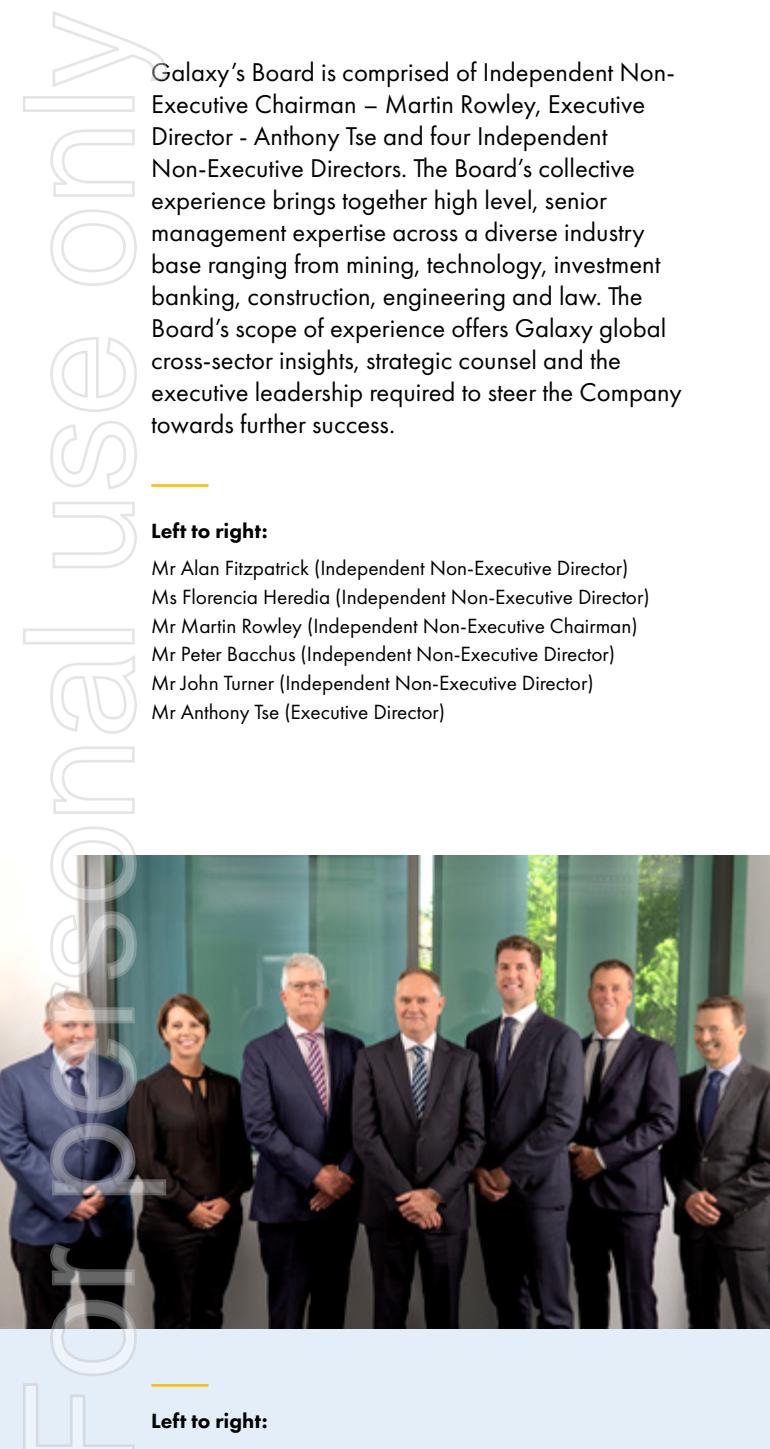
During this period of engineering, Galaxy maintained open communications with various project stakeholders particularly the Cree Nation of Eastmain and the Cree Nation Government. Formal negotiations to finalise the Impact and Benefit Agreement ("IBA") with the Cree Nation are subject to completion of project details and expected to occur throughout 2021.

BOARD OF DIRECTORS

Galaxy's Board is comprised of Independent Non-Executive Chairman – Martin Rowley, Executive Director - Anthony Tse and four Independent Non-Executive Directors. The Board's collective experience brings together high level, senior management expertise across a diverse industry base ranging from mining, technology, investment banking, construction, engineering and law. The Board's scope of experience offers Galaxy global cross-sector insights, strategic counsel and the executive leadership required to steer the Company towards further success.

Left to right:

Mr Alan Fitzpatrick (Independent Non-Executive Director)
Ms Florencia Heredia (Independent Non-Executive Director)
Mr Martin Rowley (Independent Non-Executive Chairman)
Mr Peter Bacchus (Independent Non-Executive Director)
Mr John Turner (Independent Non-Executive Director)
Mr Anthony Tse (Executive Director)



Left to right:

Brian Talbot, Megan Schmiede, Alan Rule, Simon Hay
Nick Rowley, Tom Blackwell, John Sanders



EXECUTIVE TEAM

The executive team is led by Simon Hay, Chief Executive Officer who brings a wealth of project development skills required to execute Galaxy's growth assets into successful operations. The team was bolstered during the year with the addition of two executives, both experienced in developing international minerals projects.

Tom Blackwell, Executive - Major Projects, was appointed to oversee key strategic mineral and technological developments. His previous work involved successfully managing multiple capital projects across various phases of feasibility, execution and commissioning to establish sustainable mining and processing operations.

Megan Schmiede, Executive - Human Resources, was appointed to enhance Galaxy's human capability to support the business in its growth phase. Her previous work involves collaborating with management and operational teams to develop and embed compliant and fit for purpose systems and policies.

GOVERNANCE

Galaxy's Corporate Governance Statement discloses the extent to which the Company has followed the recommendations contained in the 4th edition of the ASX Corporate Governance Principles and Recommendations for the period ended 31 December 2020.

The Corporate Governance Statement details Galaxy's corporate governance practices and can be viewed, together with copies of the charters and policies listed below, in the corporate governance section of the Company's website at www.gxy.com.

Board of Directors

Mr Martin Rowley	(Independent Non-Executive Chairman)
Mr Anthony Tse	(Executive Director)
Mr Peter Bacchus	(Independent Non-Executive Director)
Mr John Turner	(Independent Non-Executive Director)
Ms Florencia Heredia	(Independent Non-Executive Director)
Mr Alan Fitzpatrick	(Independent Non-Executive Director)

Board Committees

Audit & Risk Committee
Remuneration & Nomination Committee
Health, Safety, Environment & Community Committee

Charters

Board Charter
Audit & Risk Committee Charter
Remuneration & Nomination Committee Charter
Health, Safety, Environment & Community Committee Charter

Key Corporate Governance Policies

Anti-Bribery & Corruption Policy
Code of Conduct
Continuous Disclosure Policy
Diversity Policy
Environmental Policy
Equal Employment Opportunity & Harassment Policy
Fitness for Work Policy

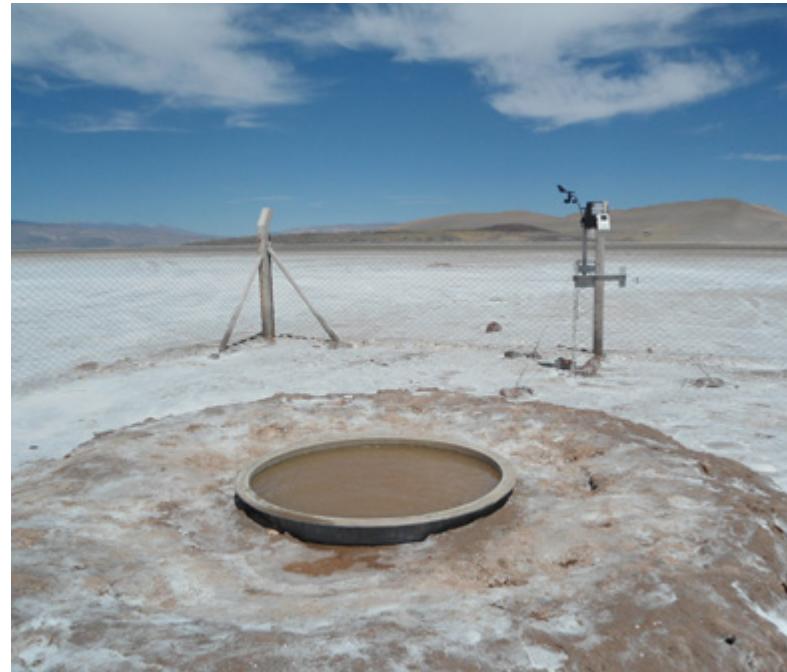
Health and Safety Policy
Human Rights Policy
Privacy Policy
Quality Policy
Risk Management Policy
Share Trading Policy
Whistleblowing Policy

SUSTAINABILITY

Galaxy has embarked on a journey of growth, expanding globally as it executes Sal de Vida and accelerates James Bay to a construction ready status. In doing so, we recognise the importance of developing these projects in a sustainable manner to deliver responsibly and ethically mined materials to the market.

This is the second year that Galaxy has produced a stand-alone Sustainability Report. This voluntary disclosure is indicative of our endeavours to strengthen our sustainability performance and align our activities and targets with global standards. The Report details the Company's sustainability objectives, key material issues and performance for the 12-month period ended 31 December 2020.

The following framework reflects our project portfolio, key sustainability risks, external frameworks and regulatory guidance.



Sal de Vida meteorological station - weather conditions impact site water balance and operational performance

Galaxy's 2020 Sustainability Report is available on the Company's website (www.gxy.com) and should be read in conjunction with the full Annual Reporting Suite for the period.

Health & Safety

The health & safety of our people is our utmost priority. Employees have the right to a safe workplace and responsibility to look out for themselves and colleagues



For personal use only

DIRECTOR'S REPORT

Your Directors present their report on the consolidated financial statements of Galaxy Resources Limited ("Company" or "Galaxy") and the entities it controlled ("Group") during the year ended 31 December 2020 ("FY2020").

DIRECTOR'S REPORT

DIRECTORS

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

Martin Rowley

Chairman, Independent Non-Executive Director

Mr Rowley was a co-founder of TSX listed First Quantum Minerals Ltd and until June 2017 was that company's Executive Director, Business Development. First Quantum is one of the world's largest copper production companies. He was previously non-executive Chairman and director of Lithium One Inc., which was acquired by the Company by way of a Plan of Arrangement in July 2012. He is also non-executive Chairman and a director of Forsys Metals Corp, a TSX-listed company in the uranium sector.

Appointed as Chairman and Director on 28 November 2013.

Current Directorships: Forsys Metals Corp.

Past Directorships (last 3 years): First Quantum Minerals Ltd.

Anthony Tse

Executive Director

Mr Tse has over 20 years of corporate experience in numerous high-growth industries such as technology, media, and in resources and commodities – primarily in senior management, corporate finance and M&A roles across Greater China and Asia Pacific. His previous management roles include various positions in the STAR Group (News Corporation), the Deputy General Manager of TOM Online, Director of Corporate Development at the TOM Group (CK Hutchison Group), President of China Entertainment Television (a joint venture between TOM and Time Warner), and CEO of CSN Corp.

Appointed Executive Director on 13 October 2010 and was appointed Managing Director on 11 June 2013. Stepped down as Managing Director and CEO on 1 July 2019.

Current Directorships: Nil

Past Directorships (last 3 years): Nil

Peter Bacchus

Independent Non-Executive Director

Mr Bacchus is Chairman and Chief Executive Officer of Bacchus Capital Advisers Ltd, an M&A and merchant banking boutique based in London. Prior to establishing Bacchus Capital, he served as European Head of Investment Banking at US investment bank Jefferies, Global Head of Mining & Metals at Morgan Stanley, and Head of Investment Banking, Industrials and Natural Resources at Citigroup, in Asia and Australia.

Mr Bacchus has over 20 years' experience in investment banking with a focus on the global natural resources sector and has, over this period, led a large proportion of the transformational transactions in the industry.

He is a member of the Institute of Chartered Accountants, England & Wales and holds an MA in Economics from Cambridge University, United Kingdom.

Appointed as a Director on 3 January 2017.

Current Directorships: Gold Fields Limited, Kenmare Resources plc, 308 Services

Past Directorships (last 3 years): NordGold plc.

John Turner**Independent Non-Executive Director**

Mr Turner is the leader of Fasken Martineau DuMoulin's Global Mining Group. Fasken Martineau DuMoulin is a full-service law firm with offices in Canada, the UK, South Africa and China.

Mr Turner has been involved in many of the leading corporate finance and merger and acquisition deals in the resources sector primarily through companies active in Africa, Latin America, Eastern Europe, Canada and Australia. Mr Turner has also successfully acted for the financial arranger or sponsor of several global major resource projects. He is also non-executive Chairman of GoGold Resources, a TSX-listed gold and silver mining company.

Mr Turner is a recipient of the Queen's Golden Jubilee Medal for his services in the autism sector.

Appointed as a Director on 3 January 2017.

Current Directorships: GoGold Resources Inc.

Past Directorships (last 3 years): Nil

Florencia Heredia**Independent Non-Executive Director**

Ms Heredia has more than 28 years of experience in the mining industry and is currently a senior partner of the leading Argentinian legal firm Allende & Brea where she heads the Energy and Natural Resources area of practice. 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 work is natural resources, infrastructure and environmental law and finance law related to these areas, assisting multiple companies established in Argentina.

Ms Heredia completed her law degree with honors (summa cum laude) from Universidad Católica Argentina in 1991 and completed a Masters degree in Business Law with honors (summa cum laude) from Universidad Austral in 1995. She also has an honors degree (summa cum laude) on corporate sustainability from Instituto de Estudios para la Sustentabilidad Corporativa. She has been a researcher in the Doctorate program of Universidad Austral in the areas of natural resources and environmental law.

Ms Heredia is an active member of the International Bar Association, where she held the position of Chair of the Mining Law Committee (2014-2015) and is currently Vice Chair of SEERIL (Section on Energy, Environment, Natural Resources and Infrastructure Law), she has been Trustee at Large and held the position of Secretary to the board (2014-2016) of the Rocky Mountain Mineral Law Foundation.

Appointed as a Director on 1 January 2018.

Current Directorships: Nil

Past Directorships (last 3 years): Nil

Alan Fitzpatrick**Independent Non-Executive Director**

Mr Fitzpatrick has more than 45 years of technical mining industry experience in project and construction management, engineering, maintenance and plant operations, including acting as a project director for various major mining companies both locally and internationally. Prior to joining Galaxy, Mr Fitzpatrick held numerous senior positions with leading engineering and mining companies such as Bechtel, BHP, Gold Fields and Newmont Mining Corporation. His experience includes the role of Director Global Projects Engineering and Construction for Newmont, Project Director on Newmont's US\$1.8 billion Batu Hijau project in Indonesia, Project Manager for Phase III of BHP's Escondida copper project expansion and Principal Consultant for the US\$7 billion Las Bambas project in Peru.

Appointed as a Director on 16 January 2019.

Current Directorships: Nil

Past Directorships (last 3 years): Nil

DIRECTOR'S REPORT

COMPANY SECRETARY

John Sanders

Mr Sanders holds a Bachelor of Laws with Honours from the University of Western Australia and is a graduate of the Australian Institute of Company Directors. Mr Sanders is a senior corporate lawyer with over 20 years' experience, having held legal and commercial roles in top tier law firms and international resource companies. He has a broad range of experience in corporate governance, international mergers and acquisitions, contract negotiation and implementing resource projects. Mr Sanders has previously worked for Herbert Smith Freehills, King and Wood Mallesons in Perth and Clifford Chance in London, as well as acting as senior in-house counsel at Woodside Energy and Hess Exploration Australia.

Appointed as Company Secretary on 11 July 2017.

MEETINGS OF DIRECTORS

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

Name	Board Meetings	Audit and Risk Committee Meetings	Remuneration and Nomination Committee Meetings	Health, Safety, Environment and Community Committee Meetings
Number of Meetings Held:	7	3	3	2
Number of Meetings Attended (Eligible to Attend):				
Martin Rowley	7 (7)	3 (3)	3 (3)	n/a
Anthony Tse	7 (7)	n/a	n/a	n/a
Peter Bacchus	7 (7)	3 (3)	n/a	2 (2)
John Turner	7 (7)	3 (3)	3 (3)	n/a
Florencia Heredia	6 (7)	n/a	2 (3)	1 (2)
Alan Fitzpatrick	7 (7)	n/a	n/a	2 (2)

Committee membership

As at the date of this report, the Company had an Audit and Risk Committee, a Remuneration and Nomination Committee and a Health, Safety, Environment and Community Committee of the Board of Directors.

Members acting on the committees of the Board during the year were:

Audit and Risk	Remuneration and Nomination	Health, Safety, Environment and Community
Peter Bacchus – Chair	John Turner – Chair	Florencia Heredia – Chair
Martin Rowley	Martin Rowley	Peter Bacchus
John Turner	Florencia Heredia	Alan Fitzpatrick

DIRECTORS' INTERESTS IN THE SHARES, RIGHTS AND OPTIONS OF THE COMPANY

The Directors' interests in the shares of the Company at the date of this report are set out in the table below:

Name	Number of Ordinary Shares
Peter Bacchus	53,767
Alan Fitzpatrick	-
Florencia Heredia	-
Martin Rowley	4,895,728
Anthony Tse	6,750,279
John Turner	182,143

As at the date of this report, the interests of the Directors in performance rights and options of the Company were unchanged from the holdings as at 31 December 2020 as disclosed in the Remuneration Report.

PRINCIPAL ACTIVITIES

The principal activities of the entities within the Group are:

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

There have been no significant changes to the nature of these activities during the year.

DIVIDENDS FOR THE PERIOD

No dividends have been paid by the Company during the year ended 31 December 2020, nor have the Directors recommended that any dividends be paid.

SUSTAINABILITY

Galaxy is committed to undertaking operations in a transparent, ethical and responsible manner. Galaxy has commenced alignment of its environmental, social and governance practices with international frameworks. Further information will be provided in the 2020 Sustainability Report to be released in Q2 2021.

Safety Performance

The Total Recordable Injury Frequency rate ("TRIFR") for the rolling 12 months ending 31 December 2020 was 9.38, a 35% improvement from FY2019.

A Lost Time Injury was recorded at Mt Cattlin during the December quarter. As a result, the Lost Time Injury Frequency Rate for FY2020 is 1.34. The incident has since been investigated and corrective actions have been implemented.

Environment

At Sal de Vida, in Catamarca Province, northwest Argentina, progress was made on approvals with the granting of a groundwater permit by the provincial water authority for industrial and domestic use. A permit for the use and storage of chemical precursors (reagents) was also approved by the federal regulator. In addition, activities continued on data collection and documentation to support a revision of the existing environmental permit, based on expected lower impacts from the updated flowsheet and staged development plan. This will lead to an update Environmental Impact Assessment that includes environmental and social baseline studies, project impacts and corresponding management plans. The document will be submitted to regulators in Q1 2021 prior to initiating full scale construction.

DIRECTOR'S REPORT

Environment (continued)

At Mt Cattlin, a community engagement program advanced with the local high school students growing tube stock for the rehabilitation of the waste rock dump. Rehabilitation of the south face of the waste rock dump has commenced with the community being involved with the seeding and planting of the students' tube stock.

Community

Galaxy is committed to regularly engaging with community stakeholders to provide positive, lasting benefits through employment opportunities and health and educational initiatives.

At Sal de Vida, a social baseline study was completed with positive perceptions and feedback received. Galaxy provided medical supplies to the Antofagasta de la Sierra hospital to assist in the prevention of COVID-19. A second lithium seminar was conducted virtually at the University of Catamarca and attended by approximately 60 students interested in the industry.

As part of a two-year corporate social responsibility program, Galaxy has committed to fund three projects to support the communities nearest to Sal de Vida. Construction of the high school expansion progressed, reaching 79% completion at the end of year. Expansion of the primary school has progressed to 70% completion and will recommence in Q1 2021 after COVID-related delays. Construction of the first aid facility is expected to commence in Q1 2021 after being postponed due to COVID restrictions.

At Mt Cattlin, the annual "Pitch your Project" program commenced. The initiative provides the local community and not-for-profit organisations an opportunity to apply for funding from Galaxy to support their community project. Galaxy also hosted "An Afternoon with Galaxy" for ~400 community members. The family-friendly annual event provides entertainment and the opportunity for the community to learn more about Mt Cattlin's operations.

OPERATING RESULTS FOR THE PERIOD

Financial Overview Summary

	2020 US\$'000	2019 US\$'000	Change %
Revenue	55,293	69,514	↓ 20%
Cost of Sales	(64,690)	(80,897)	↓ 20%
Inventory write down	(10,813)	(23,637)	↓ 54%
Impairment of Property, Plant & Equipment and Right of Use Assets	(14,183)	(188,905)	↓ 92%
EBITDA ⁽ⁱ⁾	(5,544)	6,816	↓ 180%
D&A	(5,794)	(35,172)	↓ 84%
Net Profit / (Loss) after tax	(31,309)	(283,742)	↑ 89%
Cash inflow / (outflow) from Operating Activities	(13,538)	(97,163)	↑ 86%
Cash inflow / (outflow) from Investing Activities	15,110	184,580	↓ 92%
Cash inflow / (outflow) from Financing Activities	109,425	(9,716)	↑ 1,226%
Net cash inflow / (outflow)	110,997	77,701	↑ 43%
Closing Cash & Cash Equivalents	210,437	100,907	↑ 109%

i. Refer to note 1 – Segment Information

Profit & Loss

The Group's loss after tax for the year ended 31 December 2020 was US\$31.3 million (FY2019: loss US\$283.7 million). The loss after tax in FY2020 includes a write down of inventory at Mt Cattlin at 30 June 2020 of US\$10.8 million (FY2019: US\$23.6 million) (note 9), an impairment of Property, Plant & Equipment and Right of Use Assets at Mt Cattlin at 30 June 2020 of US\$14.2 million (FY2019: US\$188.9 million) (note 12) and a derecognition of deferred tax assets of US\$nil (FY2019: US\$33.3 million). Excluding these items, the Group loss before tax for the year to 31 December 2020 was US\$6.3 million (FY2019: US\$18.9 million) primarily due to lower prices for lithium carbonate.

Profit & Loss (continued)

Revenue from operations decreased 20% to US\$55.3 million compared to the prior financial year, driven by lower realised spodumene prices offset by a 14% increase in volume sold to 150,631 dmt (FY2019: 132,687 dmt). The average realised selling price for spodumene achieved in FY2020 was US\$352/dmt, a 30% reduction from FY2019 (US\$502/dmt).

Cost of goods sold decreased by 20% in FY2020 to US\$64.7 million (FY2019: US\$80.9 million) primarily due to lower depreciation and amortisation in FY2020 of US\$5.8 million (FY2019: US\$35.2 million) offset by higher sales volume in FY2020 of 14%. The lower depreciation and amortisation resulted from the impairment in Property, Plant and Equipment at Mt Cattlin of US\$188.9 million in FY2019 and US\$14.2 million for the half year ended 30 June 2020. Cost of goods per tonne sold decreased from US\$592/dmt in FY2019 to US\$458/dmt due to the lower depreciation and amortisation in FY2020.

Total JobKeeper payments of \$2.3 million for Australian Employees were received during FY2020.

The Group generated negative EBITDA from operations of US\$5.5 million for FY2020 (FY2019: positive US\$6.8 million).

Other income of US\$9.2 million in FY2020 included US\$3.5 million reversal of provision relating to the conclusion of all outstanding matters related to the POSCO tenement sale in 2018 and FX gains of US\$5.7 million.

Cash Flow

The Group's cash outflow from operating activities for FY2020 was US\$13.5 million (FY2019: cash outflow US\$97.2 million). The improvement of US\$83.7 million was driven by a reduction in income tax paid of US\$54.6 million, a reduction in payment to suppliers, contractors and employees of US\$47.0 million due to a 43% reduction in spodumene production at Mt Cattlin offset by a reduction in receipts from customers of US\$17.9 million primarily due to a 30% reduction in the realised spodumene price.

Net cash inflows from investing activities in FY2020 were US\$15.1 million, a reduction of US\$169.5 million compared to FY2019 primarily due to the proceeds of sale of Sal de Vida northern tenements to POSCO of US\$271.6 million received in FY2019. Major investing activities cash outflows were US\$6.1 million (FY2019: US\$12.6 million) in payments for property, plant and equipment, US\$19.2 million (FY2019: US\$17.5 million) in exploration and evaluation costs at Mt Cattlin, Sal de Vida and James Bay, and US\$32.1 million in proceeds for financial assets (FY2019: US\$68.4 million payment). Investing activities also included US\$8.4 million (FY2019: US\$10.7 million) in interest income received.

The Group had a net financing cash inflow of US\$109.4 million for FY2020 (FY2019: outflow US\$9.7 million), primarily comprising the equity financing of US\$118.8 million (net of issue costs) completed in December 2020 offset by principal elements of lease payments of US\$7.8 million (FY2019: US\$7.5 million).

At 31 December 2020 the Company had closing cash of US\$210.4 million together with Financial Assets of US\$4.7 million (note 11).

Balance Sheet

Current assets at 31 December 2020 increased by US\$65.3 million to US\$243.3 million, compared with 31 December 2019, primarily due to the equity financing of US\$118.8 million completed in December 2020 offset by capex of US\$25.3 million (including capital works and exploration and evaluation costs at Mt Cattlin, Sal de Vida and James Bay) and write down of inventory of US\$10.8 million at 30 June 2020.

The differential between production and sales volumes in FY2020 of approximately 42,000 dmt resulted in a decrease of closing inventory of US\$19.4 million. At 31 December 2020, Galaxy had approx. 17,000 dmt of final spodumene product in inventory.

Non-current assets of US\$143.8 million were in line with FY2019 with capex offset by depreciation and amortisation and the impairment of Property, Plant and Equipment and Right of Use Assets at Mt Cattlin of US\$14.2 million at 30 June 2020.

Current liabilities decreased by US\$16.0 million to US\$36.4 million at 31 December 2020, primarily due to the reduction in income tax payable of US\$14.0 million.

The Group ended the period with no outstanding borrowings or bank debt liabilities.

REVIEW OF OPERATIONS

Mt Cattlin Operations

Background

Galaxy wholly owns the Mt Cattlin spodumene project ("Mt Cattlin"), located two kilometres north of the town of Ravensthorpe in Western Australia. The Mt Cattlin operation produces a lithium concentrate (spodumene) product with a 5.9 - 6.0% Li₂O grade that is trucked to Esperance for export to an Asian customer base.

Mt Cattlin operations include open-pit mining of a relatively flat-lying pegmatite ore body. Mining is carried out using excavator and truck operations, delivering ore 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, and load and haul).

As previously advised, Galaxy adapted to soft conditions in the lithium market by scaling back operational plans for 2020, prioritising the processing of low-grade stockpiled ore and drawing down final product inventory levels. In line with this market driven strategy, operations re-commenced in mid-February after a six-week planned outage.

A summary of key production and sales statistics achieved at Mt Cattlin during the year are:

	Units	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020	FY 2019	YoY %
Mining								
Total material mined	bcm	72,640	577,906	463,387	653,277	1,767,210	4,625,344	↓ 62%
Ore mined	bcm	29,115	124,096	86,940	111,926	352,077	647,100	↓ 46%
Processing and sales								
Ore processed	wmt	154,457	324,503	291,730	315,674	1,086,364	1,695,369	↓ 36%
Grade of ore processed	%	1.03	1.04	1.09	1.25	1.11	1.23	↓ 0.12
Mass Yield	%	9.5	9.7	10.6	10.8	10.2	11.5	↓ 1.3
Recovery	%	55	55	57	51	54	55	↓ 1
Concentrate produced	dmt	14,305	30,942	30,067	33,344	108,658	191,570	↓ 43%
Sales								
Concentrate sold	dmt	32,512	26,030	16,753	75,336	150,631	132,687	↑ 14%
Grade of concentrate sold	%	5.90	5.90	5.60	5.80	5.80	5.93	↓ 2%
Financial								
Realised selling price ⁽ⁱ⁾	US\$/dmt	440	325	322	332	352	502	↓ 30%
Cost of sales per tonne sold ⁽ⁱⁱ⁾	US\$/dmt	(373)	(583)	(379)	(469)	(458)	(592)	↓ 23%
Gross margin ⁽ⁱⁱⁱ⁾	US\$/dmt	67	(258)	(57)	(137)	(106)	(90)	↑ 18%
FOB Cash cost per tonne produced ^(iv)	US\$/dmt	592	412	406	452	447	391	↑ 14%

- i. Realised Selling price per tonne of Concentrate Sold is the FOB Esperance price excluding shipping costs.
- ii. Cost of sales per tonne sold is calculated by taking total cost of sales (disclosed in note 2) divided by tonnes of Concentrate Sold.
- iii. Gross margin per tonne of Concentrate Sold excluding impairment is calculated as Realised Selling price less Cost of sales per tonne sold. It is a non-IFRS measure that 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 audit.
- iv. Cash cost per tonne produced is calculated as total cash costs (FOB Esperance price excluding shipping costs) divided by tonnes produced.

Financial Performance

The FOB cash cost of concentrate produced for FY2020 was US\$447/dmt compared with a realised selling price of US\$352/dmt. The increase in FOB cash cost of concentrate produced, compared to the previous period, is due to lower production volumes as production only re-commenced in mid-February and the deliberate decision to operate the plant at approximately 60% capacity for the remainder of the year.

Mining

The new mining contractor mobilised to site smoothly and commenced activities in late February 2020 after the planned summer outage.

In FY2020, ore was sourced from two open mining faces within the 2 South East ("2SE") and 2 North East ("2NE") pits. Mining activities focused on mining ore from the 2SE pit and pre-stripping waste in the 2NE pit which will be the main ore source in 2021.

Mining volumes were 1,767,210 bcm, in line with the annual target. Cost savings were realised across a number of areas including optimisation of the waste stockpile design to reduce haulage and mining costs and enhanced drill and blast patterns to increase drilling efficiency.

Processing

During FY2020, 1,086,364 wet metric tonnes ("wmt") of ore were processed at a head grade of 1.11% Li₂O.

The scheduled installation of the front-end optical ore sorters ("ore sorters") was completed in the March quarter. The successful installation and commissioning of the ore sorters is a key part of Galaxy's strategy to optimise operations and control unit costs. The ore sorters are designed to upgrade up to 1Mt of low-grade ore over the life of mine, which has previously been expensed and stockpiled at site.

The ore sorters' contribution to throughput increased considerably in the June quarter from the March quarter with ~400t / day of sorted ore processed in April accelerating up to over 1,000t/day in June. For the full year, the circuit contributed a total of 217,044 wmt of feed to the plant, which was 20% of total throughput.

Plant recovery averaged 54% for FY2020, slightly below annual guidance.

Production

Galaxy achieved production of 108,658 dmt of lithium concentrate at a 5.95% Li₂O final product grade. Production volumes for FY2020 exceeded the original guidance range of 90,000 – 105,000 dmt and final product grade represents a marginal increase compared to FY2019, reinforcing Galaxy's ability to be a reliable producer of high-quality lithium concentrate.

Sales

Due to improved customer demand at the end of the year, Galaxy shipped a record 75,366 dmt of spodumene concentrate during the quarter averaging 5.80% Li₂O. In aggregate, FY2020 shipments of 150,630 dmt represents a 14% increase from the prior year. Final product inventory at year end was reduced to approximately 17,000 tonnes, a ~74% decrease to inventory levels at 31 December 2019.

Galaxy executed a three-year offtake agreement with a new customer, Chengxin Lithium Group Co. Ltd. The offtake agreement commenced in January 2021 for 60ktpa on a spot cargo basis, moving towards a market-based price formula. Further, Galaxy terminated its offtake agreement with Meisha Corporation on 23 December 2020 and is currently negotiating a new spot basis arrangement.

DIRECTOR'S REPORT

COVID-19

Galaxy responded swiftly to the COVID-19 pandemic at Mt Cattlin by introducing the necessary health practices while ensuring operations would continue without any major disruption. Interstate contractors were relocated to the Ravensthorpe region just prior to state borders closing and rosters of Perth-based contractors and employees were adjusted to minimise travel and shift transitions. These actions were implemented to mitigate the health and safety risk while adhering to the Western Australian State Government's regulations to contain the spread of COVID-19.

Overall, COVID-19 had minimal impact on MT Cattlin performance due to the efforts of staff and contractors adapting to the restrictions.

2020 Resource & Reserve

During FY2020, Mt Cattlin's Mineral Resource and Ore Reserve estimates as at 31 December 2019 were updated.

The revised Mineral Resource at 31 December 2019, of 14.6Mt @ 1.29% Li₂O and 157 ppm Ta₂O₅¹, reflects depletion of approximately 2.1 Mt from mining operations.

In addition to mining depletion, the Ore Reserve was recast based on modifying factors and reclassified due to the impact of supporting drilling data from mining operations. The revised Ore Reserve, of 8.2Mt @ 1.29% Li₂O and 155 ppm Ta₂O₅², reflects a 0% dilution factor (2018: 17% dilution factor) and a mining recovery of 92.5% (2018: 93%). The 0% dilution is reflective of an ore dispatch system and the front-end ore sorter that eliminates waste before it is presented to the plant.

PROJECT DEVELOPMENT

Sal de Vida Project

Background

The Sal de Vida lithium brine project ("Sal de Vida"), wholly owned by Galaxy, is located on the Salar del Hombre Muerto in the Puna region of the Central Andean Plateau in the Province of Catamarca in northwest Argentina. Sal de Vida is Galaxy's flagship project, representing one of the world's largest and highest quality undeveloped lithium brine deposits.

The combination of superior brine chemistry, high lithium grade and the large volume of extractable brine distinguishes Sal de Vida as a world-class lithium development asset. The asset has a JORC-compliant ore reserve estimate of 1.1 million tonnes of retrievable lithium carbonate equivalent supporting a long life, low cost project. Drilling commenced in late 2020 to install production wells and drilling data will be used in compiling a resource and reserve update, expected in 2021.

Galaxy is de-risking the Sal de Vida by adopting a simplified flowsheet, utilising mature technology and by staging development to smooth capital expenditure and reduce market risk. Stage One is being designed to produce technical grade lithium carbonate through an evaporation and processing operation at the Salar del Hombre Muerto site. Development work aimed at producing battery grade lithium carbonate is ongoing and if successful, the Stage One flowsheet can be easily modified without any delay to the project schedule. Galaxy is committed to ensuring that Sal de Vida is highly competitive on both capital intensity and operating costs.

Project activities during FY2020

In March, the Argentina Federal Government imposed mandatory restrictions on development projects due to COVID-19 measures and the Sal de Vida site workforce was mostly demobilised. The resumption of development projects was permitted from May and site works resumed under strict provincial protocols. These controls remain ongoing and continue to impact ground transportation, provision of goods and services and personnel movement and rosters via various restrictions. As a result, the commencement of the piloting schedule was later than planned.

Construction and commissioning of the 15 Ha of demonstration evaporation ponds, a production well and the onsite pilot plant was completed and commissioned. The adaption and commitment of the team to keep the workforce and surrounding communities' virus free, allowed pilot plant operations to continue. By December three pilot runs were successfully executed, with remote monitoring and additional technical support from a team in Perth. Approximately ~800kg of >99% lithium carbonate was produced at a recovery rate that met expectations.

Project activities during FY2020 (continued)

This product is currently under assessment with independent testing facilities and equipment manufacturers, to validate the production and assaying processes, providing confidence to Galaxy and its prospective offtake partners in the flowsheet. Given the success of the piloting program, Galaxy will continue research and development activities in 2021 to further enhance product grade.

Elsewhere, efforts focused on project development and the advancement of front-end engineering design ("FEED") for the wellfield, brine distribution system and ponds, that by the end of the year had a progress >90%. The second FEED package for the process plant and non-process infrastructure was awarded and commenced in late Q3 and was ~25% complete by the year end.

Galaxy remains on schedule for first production from Stage One in late 2022, subject to the impacts of COVID-19 in project activities. With the production well-field drilling program underway, other early works planned for 2021 include the procurement of long lead items and the commencement of pond construction as shown in the following high-level schedule:



The schedule is based on eventual easing of COVID-19 restrictions and in the event that they do not ease timely, Galaxy will adapt its execution strategy where possible while prioritising the health and safety of staff and the surrounding communities. The project team monitors the progress of all work packages closely and continues to develop contingency plans to mitigate major risk elements where feasible.

James Bay Project

Background

The James Bay lithium pegmatite project ("James Bay"), wholly owned by Galaxy, is located in Quebec, Canada, approximately 130km east of the Eastmain community. James Bay represents one of the highest quality lithium development projects in North America and provides strong future growth potential within Galaxy's portfolio.

The project comprises five sets of claim blocks with a JORC-compliant defined mineral resource estimate of 40.3 Mt @1.40% Li₂O. The high-grade deposit is shallow and relatively flat-lying, outcropping at surface in several locations. Comprising one swarm of pegmatite dykes that form a discontinuous corridor approximately 4 kilometres long and 300 metres wide that is amenable to open pit extraction.

The proximity of the project to local infrastructure, including accessible major road networks, accommodation, water and a low cost / sustainable supply of hydro electricity in the region represent natural advantages to the project.

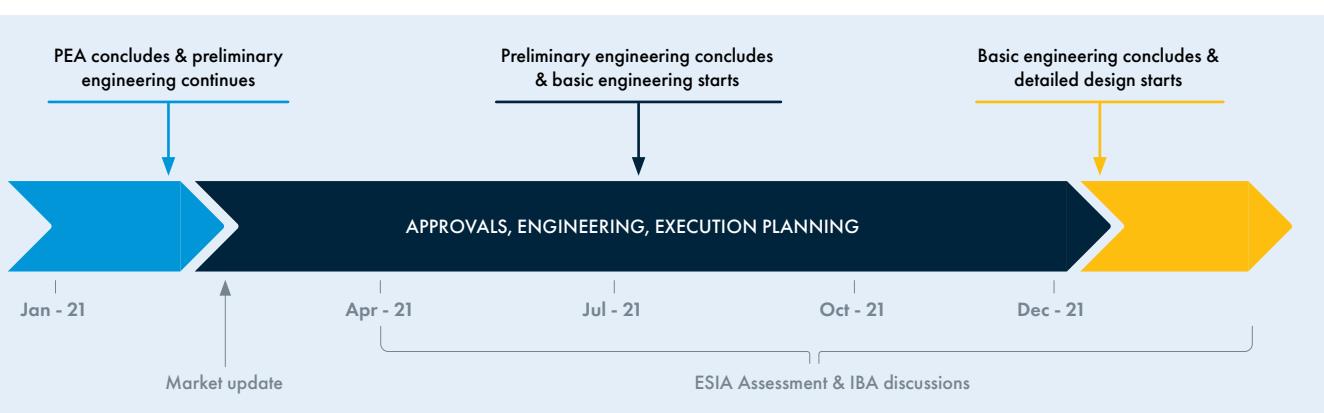
Galaxy is de-risking the James Bay Project by utilizing its existing spodumene intellectual property and flow sheet from Mt Cattlin. Current focus remains on the upstream development feasibility, ensuring that the fundamentals are highly competitive on both capital intensity and operating costs.

DIRECTOR'S REPORT

Project activities during FY2020

Project activities during 2020 centered on conducting a value engineering program of works to optimize capital and operating costs of the project. Mine and plant designs were reviewed in terms of size and scale, location of mine infrastructure, dumps and roads, plant layout. No fundamental changes were made to the key project design criteria (e.g. processing technology, throughput capacity, recovery, grade, prices). The value engineering exercise was successful in reducing the capital intensity of the project by ~30% and the cash costs of production (excluding shipping and royalties) by ~10%.

A Preliminary Economic Assessment ("PEA") commenced in the second half and by year end was near complete with an anticipated release planned for Q1 2021. The PEA will integrate findings from previous engineering and technical reviews including the 2020 value engineering exercise. Galaxy is encouraged by the preliminary PEA results to date and believes the project can be developed into a globally competitive lithium concentrate supplier and will move the project into the next stage of development in 2021.



During this period of engineering, Galaxy maintained open communications with the various project stakeholders particularly the Cree Nation of Eastmain and the Cree Nation Government. Formal negotiations to finalise the Impact and Benefit Agreement ("IBA") with the Cree Nation, are be subject to completion of project details and expected to occur throughout 2021.

Corporate

Equity Financing

On 25 November 2020, the Company announced an equity financing by way of a fully underwritten pro-rata accelerated non-renounceable entitlement offer and institutional placement, to raise A\$160.7 million (approximately US\$118 million) before costs ("Equity Financing").

The Equity Financing comprised the following:

- An institutional placement of 65,294,118 new fully paid ordinary shares at A\$1.70 per share to raise A\$111.0 million ("Placement"); and
- A 1-for-14 pro-rata accelerated non-renounceable entitlement offer of 29,259,359 new fully paid ordinary shares at A\$1.70 per share to raise A\$49.7 million ("Entitlement Offer").

The Placement was completed on 26 November 2020 and the Entitlement Offer was successfully completed on 15 December 2020.

Proceeds from the Equity Financing will be applied to Sal de Vida Stage 1 and fund pre-development activities to progress James Bay to a construction ready status. The successful completion of the Equity Financing delivers funding certainty for Galaxy to continue with the Sal de Vida Stage 1 capital program and meet previously stated development timelines, mitigating pricing uncertainty of alternative funding routes arising from COVID-19.

BNP Debt Facility

On 31 December 2020, the Company entered into an agreement to extend the maturity date of its \$40 million debt facility with BNP to 31 December 2021.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs other than those listed in the review of operations above.

EVENTS SUBSEQUENT TO REPORTING DATE

In the interval between the end of the 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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company and Group intend to progress development of the existing assets of Sal de Vida and James Bay and to seek new investment opportunities in the lithium sector.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Board has established a Health, Safety, Environment and Community ("HSEC") Committee which is tasked with overseeing HSEC risks and compliance within the Group.

The Group holds environmental licenses to regulate its mining, exploration and processing activities issued by the relevant environmental protection authorities of the various countries in which it operates. These licenses include conditions and regulations in relation to specifying limits on discharges into the environment, rehabilitation of areas disturbed during the course of mining and exploration activities and the storage of hazardous substances.

The Group is registered under the *National Greenhouse and Energy Reporting Act*, under which it is required to report energy consumption and greenhouse gas emissions for its Australian facilities for the 12 months ended 30 June and future periods. The Group has established data collection systems and processes to meet these requirements.

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into Good Faith, Protection and Access Deeds with each of the Directors and Officers which will indemnify them against liabilities incurred to a third party (not being the Company or a related body corporate of the Company) as a Director or Officer of the Company or a related body corporate of the Company where the liability does not arise out of conduct involving a lack of good faith.

The liability insured is the indemnification of the Company against any legal liability to third parties arising out of any Directors or Officers duties in their capacity as a Director or Officer other than indemnification not permitted by law. No liability has arisen under this indemnity as at the date of this report.

The Company has, during or since the end of the financial year, paid an insurance premium in respect of an insurance policy for the benefit of the Directors, secretaries, executive officers and employees of the Company and any related bodies corporate as defined in the insurance policy. The insurance grants indemnity against liabilities permitted to be indemnified by the Company under Section 199B of the Corporations Act 2001. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium.

SHARE OPTIONS AND PERFORMANCE RIGHTS

Unissued shares

At the date of this report, the Company had 500,000 unissued shares under options with a vesting date of 1 May 2021 at an exercise price of A\$3.66.

At the date of this report, the Company had 9,220,419 unissued shares under performance rights with various vesting dates.

Option and performance rights holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

Details of options and performance rights granted to Directors and other key management personnel during the year are set out in the Remuneration Report.

SHARE APPRECIATION RIGHTS

No share appreciation rights ("SARs") were exercised during the financial year.

NON-AUDIT SERVICES

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

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

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

Details of amounts paid or payable to PwC can be found at note 25.

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 56 and forms part of the Directors' Report for the year ended 31 December 2020.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in "ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191", issued by the Australian Securities and Investment Commission, relating to the 'rounding off' of amounts in the Directors' Report and accompanying Financial Report. Amounts in the Directors' Report have been rounded off in accordance with that Rounding Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

REMUNERATION REPORT – AUDITED

The Remuneration Report for the year ended 31 December 2020 outlines the remuneration arrangements for the Company and the Group. The information provided within this remuneration report includes remuneration disclosures that are required under section 300A of the Corporations Act 2001.

REMUNERATION REPORT – AUDITED

1. PRINCIPLES OF REMUNERATION

We recognise that Company performance is dependent upon the quality of KMPs. KMP remuneration is intended to support the company strategy by attracting, incentivising and retaining high calibre directors and executives.

Appropriate remuneration, comprising a fixed and variable component has been set for each role. A significant portion of executive remuneration is variable and is dependent upon meeting pre-determined deliverables and strategic goals directly linked to the Company Strategy.

The principles of the Company's remuneration include:

- 1) Setting a Company Strategy designed to increase shareholder returns;
- 2) Aligning executive remuneration with delivering the Company Strategy;
- 3) Appropriate portion of executive compensation 'at risk' (or variable) and delivered in the form of equity to encourage an ownership mentality and aid retention;
- 4) Reward achievement against shorter term business deliverables and longer term strategic goals;
- 5) Ensure commitment to our values and behaviour, as a qualifier for reward; and
- 6) Competitive remuneration and reward to attract and retain high calibre employees.

2. KEY MANAGEMENT PERSONNEL

Key Management Personnel ("KMP") have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including Directors of the Company and other executives. KMP comprise the Directors of the Company and senior executives for the Group.

The key management personnel of the Group during the year ended 31 December 2020 are set out below:

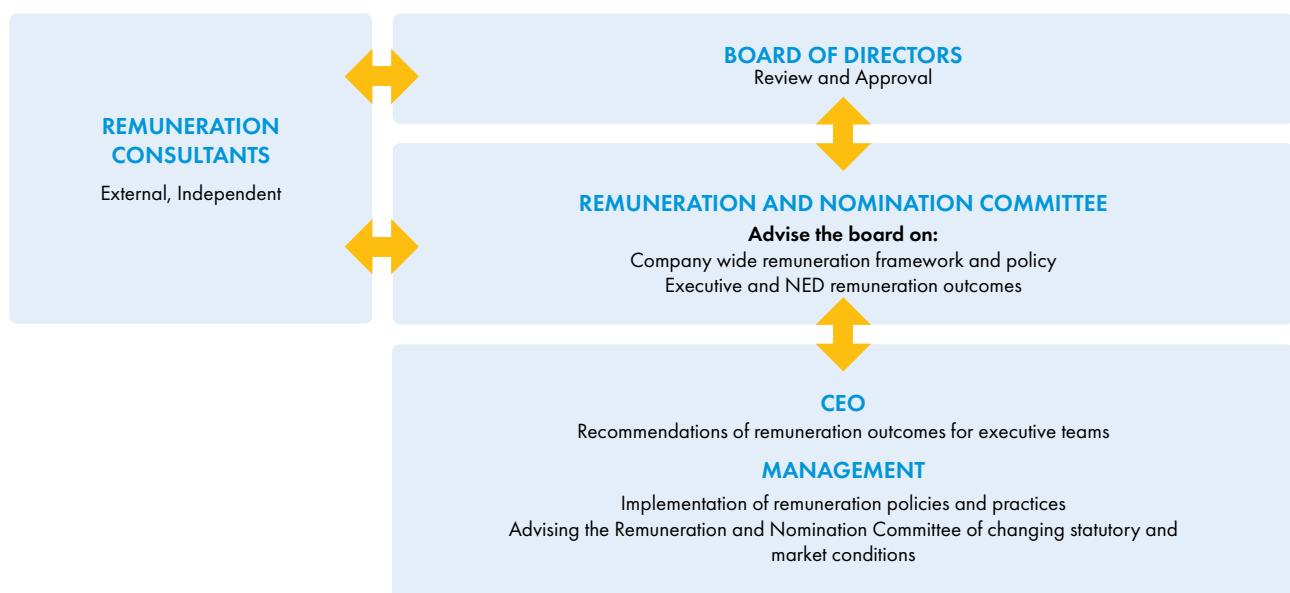
Name	Role	Period of employment
Non-Executive Directors		
Peter Bacchus	Non-Executive Director	Full year
Alan Fitzpatrick	Non-Executive Director	Full year
Florencia Heredia	Non-Executive Director	Full year
Martin Rowley	Non-Executive Director	Full year
John Turner	Non-Executive Director	Full year
Executive Director		
Anthony Tse	Executive Director	Full year
Executive KMP		
Simon Hay	Chief Executive Officer ("CEO")	Full year
Alan Rule	Chief Financial Officer ("CFO")	Full year
Nicholas Rowley	Director Corporate Development	Full year
Tom Blackwell	Executive – Major Projects	Appointed 2 April 2020

3. COMPENSATION

3.1. How remuneration is governed

3.1.1. Remuneration decision making

The following diagram presents the Group's remuneration decision making framework during FY2020:



The Remuneration and Nomination Committee ("RNC") was in place for the full financial year.

The RNC consists solely of non-executive directors ("NEDs") and operates under a Board-approved Charter. Non-committee members, including the CEO, only attend meetings of the RNC at the invitation of the RNC Chair as appropriate, but have no vote on matters before the RNC.

The RNC provides assistance and recommendations to the Board to ensure that it can fulfill its responsibilities. This includes ensuring remuneration decisions are appropriate from the perspectives of business performance, Executive performance, governance, disclosure, reward levels and market conditions. Specifically, the RNC determined the performance targets, extent of the KMP' achievements and the remuneration outcomes.

In discharging its responsibilities, the RNC will have regard to the following Remuneration Policy objectives, to:

- ensure the Company's remuneration structures are equitable and aligned with the long-term interests of the Company and its shareholders and having regard to relevant Company policies;
- attract and retain skilled executives;
- structure short and long-term incentives that are challenging and linked to the creation of sustainable shareholder returns; and
- ensure any termination benefits are justified and appropriate.

More details on the Company's governance framework including the board committee structure and related committee charters are available on the Corporate Governance page of the Company's website at www.gxy.com

REMUNERATION REPORT – AUDITED

3.1.2. Incentive Plans

Shareholders approved the establishment of the Galaxy Resources Limited Incentive Option Plan (“IOP”) on 18 May 2017. On 28 May 2019, Shareholders approved amendments to the IOP to allow the Company to issue both options and performance rights to eligible participants, and to utilise an employee share trust arrangement. The IOP was renamed the Galaxy Resources Limited Incentive Award Plan (“IAP”) at this time.

A summary of the IAP is attached to the Company’s 2019 Notice of Annual General Meeting available on the Company’s website at www.gxy.com.

At the end of 2019, the Board approved the adoption of a new STI and LTI Program that is governed by the terms of the IAP. These STI and LTI programs were implemented with effect from 1 January 2020. Refer to section 3.2.3 and 3.2.4 of this Remuneration Report for details of the FY2020 STI Program and LTI Program.

The Program is geared towards meeting or exceeding both shorter term business deliverables and longer term strategic goals. The plan allows for a meaningful accumulation of Galaxy shares to participants ensuring that they have ‘skin in the game’. This aims to encourage an ownership mentality which in addition to the retentive benefits also aligns executive interests with that of shareholders.

The overriding incentive plan premise is that KMPs cannot be unjustly enriched at the expense of the Company or its shareholders, nor can they substantially realise their reward before the Company has achieved its ‘value event’.

The STI Program provides cash and equity based incentives with vesting conditions linked to achievement of the performance objectives set out in the annual Corporate Scorecard and individual performance objectives for the year.

The LTI Program is purely equity based and will vest after four years, subject to satisfaction of non-financial performance metrics targeted at development of the Sal de Vida and James Bay projects and a relative Total Shareholder Return test.

The equity-based components of the STI and LTI Program take the form of performance rights issued under the IAP. A total of 9,435,219 performance rights were initially allotted to 33 employees pursuant to this new STI and LTI program during FY2020. Refer to note 20 for details of options and performance rights issued under the IAP.

Shareholders approved the establishment of the Galaxy Resources Limited Long Term Incentive Plan (“LTIP”) on 29 May 2015. Refer to note 20 for details of share appreciation rights (“SARs”) issued under the LTIP.

3.1.3. Remuneration advisors

The RNC has access to adequate resources to perform its duties and responsibilities, including the authority to seek and consider advice from independent remuneration professionals to ensure that they have all of the relevant information at their disposal to determine KMP remuneration.

The RNC has established protocols to ensure that if remuneration recommendations, as defined by the Corporations Act 2001, are made by independent remuneration consultants they are free from bias and undue influence by members of the KMP to whom the recommendations relate.

During 2019, the RNC engaged the services of BDO Reward (“BDO”) to review the Company’s Executive and Non-Executive Director remuneration framework, undertake a market benchmarking review of remuneration and to assist with the implementation of the changes to the Executive Remuneration Framework outlined elsewhere in this report.

The work completed by BDO included making remuneration recommendations and the RNC is satisfied that the advice received from BDO was free from bias and undue influence. The remuneration recommendations were provided to the RNC as input into decision making only. The RNC considered the recommendations, along with other factors, in making its remuneration decisions. The fees paid to BDO for the remuneration recommendations in 2019 were US\$23,700 (excluding GST).

During 2020, the RNC engaged the services of The Reward Practice to design a broad based employee incentive scheme and review the remuneration incentive standards and communications. The fees paid to The Reward Practice for the remuneration recommendations were US\$17,408 (excluding GST).

3.1.4. Securities Trading Policy

Galaxy's Securities Trading Policy provides clear guidance on how Company securities may be dealt with and applies to the NEDs, Executives and all other personnel of the Company including employees and contractors.

The Securities Trading Policy details acceptable and unacceptable periods for trading in Company securities including the consequences of breaching the policy. The policy also sets out a specific governance approach for how Directors and Executives can deal in Company securities.

The policy can be found on the Corporate Governance page of the Company's website at www.gxy.com

3.1.5. Remuneration report approval at FY2019 Annual General Meeting (AGM)

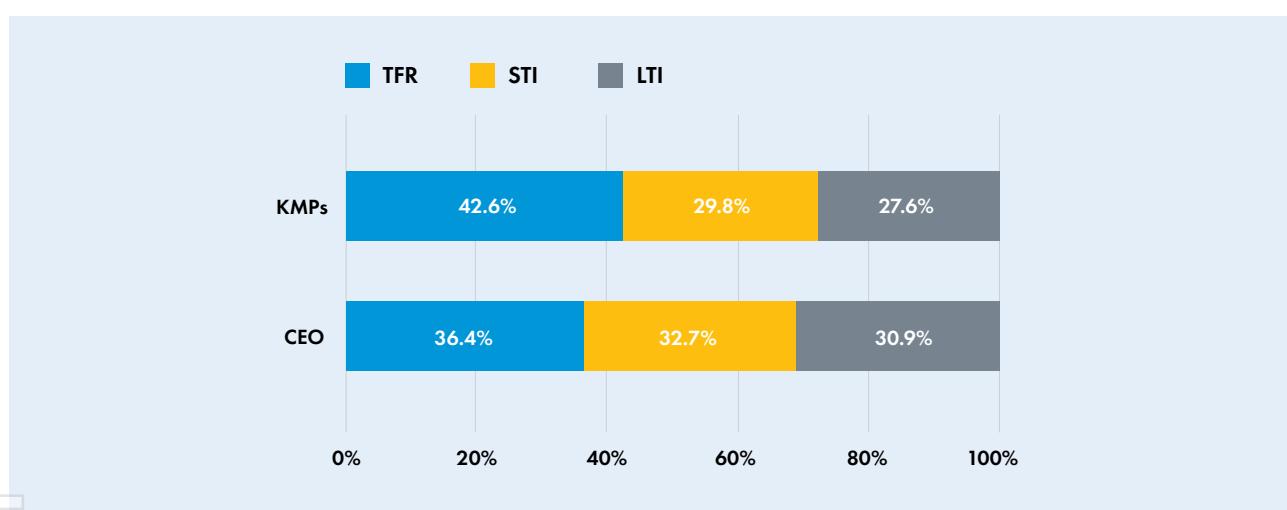
The remuneration report for FY2019 received positive shareholder support at the FY2019 AGM held on 21 May 2020 with a vote of 80.55% in favour.

3.2. Executive Remuneration framework, policy and practices

3.2.1. 2020 Executive remuneration mix

The mix of fixed and 'at risk' remuneration varies depending on the role and grading of the Executive. More senior positions have a greater proportion of 'at risk' remuneration.

The chart below shows the remuneration mix when maximum 'at risk' remuneration is earned for both the CEO and KMPs in FY2020:



3.2.2. Executive Total Fixed Remuneration ("TFR") and market positioning of TFR

Galaxy has adopted a market positioning strategy designed to attract and retain talented employees, and to reward them for delivering strong performance. The market positioning strategy also supports fair and equitable outcomes between employees.

TFR acts as a base-level reward and includes cash, compulsory superannuation and any salary-sacrificed items (including FBT if applicable) and is reviewed annually.

Galaxy has set the baseline:

- TFR benchmark for the CEO and Executives at the median of the market; and
- Total remuneration (TFR, STIs and LTIs) between the median and upper quartile.

REMUNERATION REPORT – AUDITED

3.2.2. Executive Total Fixed Remuneration (“TFR”) and market positioning of TFR (continued)

The Board considers variations to the benchmark based on:

- the size and complexity of the role, including role accountabilities;
- the criticality of the role to successful execution of the business strategy;
- skills and experience of the individual;
- period of service; and
- market pay levels for comparable roles.

When determining the relevant market for each role, Galaxy considers the companies from which it sources talent, and to whom it could potentially lose talent. From time to time, the RNC engages independent remuneration advisors to provide remuneration advice, including benchmarking data, as input into setting remuneration for Executives.

3.2.3. Short Term Incentive Program (“STI Program”)

Background

STI awards are made annually at the discretion of the Board and are typically paid in:

- cash; and
- performance rights, subject to deferred vesting dates.

However, due to:

- the desire to preserve cash reserves in the context of the ongoing COVID 19 pandemic; and
- the Board’s belief that payment of cash bonuses to senior executives is inappropriate in circumstances where the Company has received JobKeeper payments during 2020,

the Board has determined that for the 2020 performance year any STI awards that would have been payable in cash to Executive KMPs will be paid in the form of performance rights issued under the IAP that vest immediately.

Performance rights, subject to deferred vesting dates that are allocated following completion of the 2020 performance review process vest as follows:

- one third will vest on 1 March 2021;
- one third will vest on 1 March 2022; and
- one third will vest on 1 March 2023.

This deferred vesting regime is intended to aid employee retention and further improves alignment of participant outcomes with shareholder outcomes at the end of the deferral period.

FY2020 STIs

The Executives STIs set at the beginning of FY2020, subject to performance criteria, is made up as follows:

	Maximum Cash	Initial Allocation Maximum Performance Rights
CEO	25% of TFR	65% of TFR
Executive KMP	25% of TFR	45% of TFR

The quantum of performance rights granted in the Initial Allocation is determined by the maximum % of TFR divided by the face value of Galaxy shares, calculated as the 10 day volume weighted average price (“VWAP”) immediately prior to grant date.

At the end of the financial year, the actual entitlement to cash and performance rights is determined by reference to:

- the Company’s performance against its defined annual corporate scorecard; and
- the individual employee’s performance against his or her annual personal performance objectives.

FY2020 STIs (continued)

In January 2020, the Board approved a Corporate Scorecard setting out the expectations and deliverables for the Group during the 2020 financial year and relative weighting which are set out below ("Corporate Scorecard Objectives"):

Objective	Weight
Reduce TRIFR by 10% compared to 2019 full year outcome.	10%
Mt Cattlin operating plan to be moderated due to market conditions. Operations to generate positive cash flow in 2020.	15%
Sell majority of Mt Cattlin inventory and new production such that inventory at year end is less than 30,000 tonnes.	7.5%
Diversify customer base with the addition of at least one new customer.	7.5%
Refine the Sal de Vida alternate base case for stage 1 and release project cost estimate which shows capital intensity in the lowest cost quartile for new brine projects.	15%
Secure an investment partner for Sal de Vida ensuring appropriate and acceptable project valuation and partner brings additional benefits to the project.	7.5%
Secure binding offtake agreements for at least 75% of first year's production from Stage 1.	7.5%
Develop and implement a financing plan for Sal de Vida.	7.5%
Achieve board approval of Final Investment Decision in 2020.	7.5%
Complete James Bay upstream pre-works including IBA, ESIA and value engineering program and update the feasibility study.	7.5%
Build and enhance the systems, processes and human capability of the Company in order to deliver the corporate plan.	7.5%

In addition, each Executive KMP was given set expectations and deliverables for FY2020 ("Personal Performance Objectives"). These Personal Performance Objectives cover Group and individual objectives that are financial and non-financial and reflect the Group's Corporate Scorecard Objectives and the Group's core values.

Each Corporate Scorecard Objective and Personal Performance Objective has a range of indicative performance levels as set out below.

The performance level of the Company or individual is determined for each Objective, and the % STI entitlement for that Objective is determined by multiplying the STI % allocated to each Objective by the performance level % for that Objective.

Performance Level	% of allocated STI award
Threshold	Minimum level of performance required for an STI award to be paid. Performance below this level results in a nil outcome
Target	Planned performance, set at a challenging level
Stretch	Exceptional performance, set at a stretch level

Actual Entitlement of STIs

Following completion of FY2020:

- the Galaxy Board assessed the performance of Galaxy against the Corporate Scorecard Objectives and determined a Galaxy Corporate Score for the year;
- the Galaxy Board assessed the performance of the CEO against his Personal Performance Objectives and determined his Personal Score for the year; and
- the CEO and the Galaxy Board assessed the performance of the other Executive KMPs against their Personal Performance Objectives and determined each of their Personal Scores for the year.

REMUNERATION REPORT – AUDITED

Actual Entitlement of STIs (continued)

The Company then determined each Executive KMP's Weighted Performance Score as follows:

$$\text{Weighted Performance Score (as a \%)} = [\text{Galaxy Corporate Score (as a \%)} \times 0.8] + [\text{Personal Score (as a \%)} \times 0.2]$$

Each Executive KMP's Weighted Performance Score was then used to determine that Executive KMP's Actual Entitlement as follows:

$$\text{Executive KMP's Actual Entitlement} = \text{Initial Allocation} \times \text{Weighted Performance Score}$$

Refer to section 4.4 of this Remuneration Report for the Executive KMPs Actual Entitlement for FY2020.

Where the Executive's Actual Entitlement of STIs is less than the Initial Allocation of STIs, the balance will be cancelled by the Company.

3.2.4. Long Term Incentive Program ("LTI Program")

Background

LTI awards are in the form of performance rights issued under the IAP across a four year program and are made at the discretion of the Board.

In January 2020, there were 2 tranches of LTIs issued:

- Tranche 1 – with vesting conditions linked to delivery of the Company's growth projects ("Project Metric Tranche"); and
- Tranche 2 – with vesting conditions linked to relative Total Shareholder Return ("RTSR Metric Tranche"),

each of which is described in more detail below.

The Tranche 1 allocation is a one-off allocation intended to incentivise the early monetisation of the Company's international growth projects, with achievement of this Project Metric vesting condition anticipated to result in material value accretion to shareholders. This is a four year program across the calendar years 2020 to 2023.

The Board does not currently intend to grant an equivalent Project linked long term incentive each year and there will not be a grant in 2021.

The relative Total Shareholder Return ("TSR") of Galaxy is measured against a comparator group of companies determined by the Galaxy Board. This portion of the LTI is granted annually with measurement at the end of the four year period to 2023.

TSR is a method for calculating the return shareholders would earn if they held a notional number of shares over a period of time. TSR measures the growth in a company's share price together with the value of dividends during the period, assuming that all of those dividends are re-invested into new shares and is used because it is an objective measure of security holder value creation, is widely understood and accepted by key stakeholders and it rewards participants for superior performance on matters which they have the ability to influence.

Setting long-term incentive targets appropriate for different stages of the mining cycle and for companies with operating and development assets is complex and challenging. With the identified growth plans of Galaxy, the LTI's have been structured to create stronger alignment with long-term value creation for both the Company and shareholders.

Initial Allocation

The Executives receive an initial allocation of LTIs as follows:

	Total LTI	Maximum Project Metric Tranche	Maximum RTSR Metric Tranche
CEO	85% of TFR	170% of TFR	42.5% of TFR
Executive KMP	65% of TFR	130% of TFR	32.5% of TFR

The initial number of performance rights granted is calculated by dividing the maximum % of TFR (in dollars) by the face value of Galaxy shares, calculated as the 10 day VWAP immediately prior to grant date.

Project Metric Tranche

The vesting conditions for Project Metric Tranche is either:

- Stage 1 of the Sal de Vida project is constructed, commissioned and achieves production of on-specification final product on or before 31 December 2023 and on the schedule and budget as approved by the Galaxy Board; or
- the Galaxy Board makes a positive final investment decision on the James Bay upstream project on or before 31 December 2023.

Subject to the requirements of applicable law and the ASX Listing Rules, the Galaxy Board reserves the right to modify or replace the Project Metric as defined above with a more suitable metric where such modification or amendment is necessary to reflect a material change in the strategy or direction of the Company during the vesting period.

RTSR Metric Tranche

The relative Total Shareholder Return (“**TSR**”) of Galaxy measured against the following comparator group of 13 companies determined by the Galaxy Board.

Company Name	Category
Mineral Resources Limited	Lithium producer, developer and diversified
Sandfire Resources Limited	Battery metals producer - copper
Orocobre Limited	Lithium producer
Western Areas Limited	Battery metals producer - nickel
Pilbara Minerals Limited	Lithium producer
Ioneer Limited	Lithium developer
Mincor Resources NL	Battery metals producer - nickel
Syrah Resources Limited	Battery metals producer - graphite
Clean TeQ Holdings Limited	Battery metals developer – nickel and cobalt
Altura Mining Limited	Lithium producer
Liontown Resources Limited	Lithium developer
AVZ Minerals Limited	Lithium developer
NeoMetals Limited	Lithium developer

The TSR for Galaxy and the comparator group will be measured over four years from 1 January 2020 to 31 December 2023.

Actual Entitlement

The Actual Entitlement of LTIs based on achievement of approved project schedule for first production from Sal de Vida Stage 1 is as follows:

Performance level	Date first production achieved	Percentage of Project Metric Tranche Initial Allocation that converts to Actual Entitlement and vests on the Vesting Date
Maximum	If on or before 31 December 2022	100%
Target	If on or before 30 June 2023	50%
Threshold	If on or before 31 December 2023	20%
Below threshold	If after 31 December 2023	Zero

Note: Linear scale for dates between performance levels

REMUNERATION REPORT – AUDITED

Actual Entitlement (continued)

The Actual Entitlement of LTIs based on achievement of FID approval by the Board for James Bay upstream is as follows:

Performance level	Date first production achieved	Percentage of Project Metric Tranche Initial Allocation that converts to Actual Entitlement and vests on the Vesting Date
Maximum	On or before 31 December 2021	100%
Target	On or before 31 December 2022	50%
Threshold	On or before 31 December 2023	20%
Below threshold	If after 31 December 2023	Zero

Note: Linear scale for dates between performance levels

The Actual Entitlement to RTSR Metric Tranche performance rights is calculated as follows:

TSR of Galaxy relative to comparator group	Percentage of RTSR Metric Tranche Initial Allocation that converts to Actual Entitlement and vests on the Vesting Date
At or above the 75 th percentile	100%
Between the 50 th percentile and 75 th percentile	Progressive pro-rata vesting between 50% to 100%
At the 50 th percentile	50%
Below the 50 th percentile	Nil

Where the Executive's Actual Entitlement to LTIs is less than the Initial Allocation of LTIs, the balance will be cancelled by the Company.

3.2.5. Other key aspects of the STI and LTI Program

Where an Executive ceases employment, any unvested performance rights will lapse unless the Board determines that:

- the performance rights will vest in the event of prescribed special circumstances arising; or
- the unvested performance rights will be retained by the executive after they cease being an employee.

Vested performance rights will lapse if not exercised within 6 months of ceasing employment

There is an overriding performance condition or claw back provision. The Board at all times retains a discretion as to the award and vesting of performance rights and will take into consideration the interests of the Company and its shareholders when exercising this discretion.

Where an STI or LTI participant:

- in the opinion of the Board, acts fraudulently or dishonestly, is grossly negligent, demonstrates serious and wilful misconduct, or causes a material adverse effect on the reputation of the Company;
- has his or her employment or office terminated due to serious or wilful misconduct or otherwise for cause without notice;
- deals with or disposes of performance rights contrary to the terms of the IAP and award offer; or
- becomes ineligible to hold his or her office due to Part 2D.6 of the Corporations Act,

the Board may, by written notice to the participant, deem any unvested, or vested but unexercised, performance rights of the participant to have lapsed, or require the participant to do all such things necessary to cancel any shares issued or transferred on exercise of the participant's performance rights.

The IAP provides that performance right vesting conditions are deemed to be automatically waived upon a change of control occurring.

4. KMP REMUNERATION OUTCOMES IN FY2020

4.1. Company performance Operational Performance

At the end of 2019 Galaxy refined its 2020 strategy at Mt Cattlin in response to the market conditions in the lithium sector. The strategic drivers were to prioritise value over volume, attempt to generate positive free cash flow, preserve resource life and to maintain balance sheet capacity for advancement of the Group's development portfolio at Sal de Vida and James Bay.

Therefore, during FY2020, Mt Cattlin operations were adjusted to meet these market-driven objectives and operated at reduced capacity. Operational performance in relation to mining, processing and concentrate sales were in line with plans and budgets and met market guidance.

During FY2020, Sal de Vida Project activities were on plan and in-line with the schedule. The project is approaching completion of the design and piloting phase and the results to date continue to support a highly competitive, high quality, low cost brine operation.

The James Bay Project PEA is on track and nearing completion with Galaxy utilising its existing spodumene intellectual property and know-how flow sheet from Mt Cattlin to enhance the mine plan and process flowsheet during FY2020.

Further pleasing results have also been achieved in safety performance and assurance, health and wellbeing, and community programs as the Group has expanded its international reach and profile.

COVID-19 Business response

The global COVID-19 pandemic has impacted the global economy and our communities. The pandemic has introduced a higher level of uncertainty into financial markets, as well as workforces over the short and medium term. The health and wellbeing of our people, contractors and stakeholders is of paramount importance to us and as the impact of COVID- 19 continues to evolve, Galaxy has and will continue to proactively implement protocols to minimise the potential transmission of COVID-19 and protect our staff and operations from any implications that arise from the pandemic.

The response from our people and the measures that we have implemented have ensured that our employees remained healthy and had limited disruption to work. The development timelines for the Group's projects in Argentina and Canada have been impacted, however the Company and Board remain focused and the progression of these projects continues.

The global COVID-19 pandemic and its various management and operational challenges have tested the Company's business, its people and culture, and it is pleasing to note that the Company's performance has remained strong and resilient throughout this challenging period. The Group has dealt professionally with the direct and indirect risks, impacts and challenges that this unprecedented pandemic has brought, and will continue to do so in FY2021.

4.2. Fixed remuneration outcome

Directors

There were adjustments to non-executive Directors fees in response to the impact of COVID-19. Non-executive Directors agreed to:

- A 20% reduction in TFR for the period 1 April 2020 to 30 June 2020. This reduction was forgone with no compensation; and
- A 20% reduction in TFR for the period 1 July 2020 to 30 June 2021 which will be compensated by the issue of performance rights to directors as set out below.

Any issue of Performance Rights to non-executive directors will be on the following basis:

- The issue of performance rights will be subject to receipt of Shareholder approval at the Company's 2021 Annual General Meeting and the acceptance of an offer of performance rights by each Director following the 2021 AGM;
- Performance rights issued will be on the terms of the IAP;
- The performance rights will vest and be capable of exercise from 1 July 2021;

REMUNERATION REPORT – AUDITED

Directors (continued)

- Where shareholder approval is not received, non-executive Directors will be back-paid the fees sacrificed between the period 1 July 2020 to 30 June 2021;
- Performance rights for the fees forgone between 1 July 2020 and 30 June 2021 will be issued in one instalment following receipt of Shareholder approval in May 2021; and
- The number of performance rights to be granted to non-executive Directors will be calculated on a quarterly basis in arrears using a 20 day VWAP from the end of each relevant quarter.

Executive KMP

The RNC deemed that there should be no increase in Executive KMP TFR in FY2020.

In response to the impact of COVID-19, the Executive KMPs agreed to:

- A 20% reduction in TFR for the period 6 April 2020 to 28 June 2020. This reduction was forgone with no compensation; and
- A 20% salary sacrifice scheme that was introduced on 26 July 2020 to manage costs and cashflow and to improve alignment with shareholders' interests. Executive KMPs receive performance rights every quarter (with no performance conditions) in return for sacrificing a fixed percentage of their salary over a 12 month period (ending 25 July 2021), with those rights automatically vesting into shares under the IAP. These performance rights are issued every three months, in arrears, using a 20 day VWAP.

4.3. STI performance and outcomes

In accordance with the procedure set out above an assessment was undertaken of the performance of each eligible Executive KMP against their FY2020 KPIs.

The Corporate Scorecard objectives and achievement for FY2020 is summarised below:

Objective	Weight	Achievement	Outcome
Reduce TRIFR by 10% compared to 2019 full year outcome.	10%	2020 had 7 recordable injuries and one LTI. 2020 final TRIFR was 9.38. 2019 TRIFR was 14.47. Reduction of 35% year on year.	Stretch
Mt Cattlin operating plan to be moderated due to market conditions. Operations to generate positive cash flow in 2020.	15%	All controllable Mt Cattlin metrics were achieved: <ul style="list-style-type: none">• Sales of 150.2k dmt above Budget• Production of 108.7k dmt in line with Budget• Total cash costs below Budget• Product quality of 5.95% Li₂O in line with Budget• Closing spodumene stockpiled inventory reduced to ~17,500 wmt Mt Cattlin did not achieve positive cash flow for FY2020 due solely to low realised sales price.	Target
Sell majority of Mt Cattlin inventory and new production such that inventory at year end is less than 30,000 tonnes.	7.5%	166k dmt shipped for 2020. Inventory at end of year ~17,500 wmt achieves target of < 30,000 wmt.	Stretch
Diversify customer base with the addition of at least one new customer.	7.5%	New customer Weihua, signed 3 year contract in October. Increased diversification with sales to five customers in FY2020 compared with four in FY2019.	Stretch

4.3. STI performance and outcomes (continued)

Objective	Weight	Achievement	Outcome
Refine the Sal de Vida alternate base case for stage 1 and release project cost estimate which shows capital intensity in the lowest cost quartile for new brine projects.	15%	<p>Ponds, pilot plant built and fully operational with 3 pilot runs completed on plan.</p> <p>FEED 1 near complete and FEED 2 well advanced. Project financials being updated as specific packages are completed.</p> <p>Drilling of production wellfield commenced in Q4.</p> <p>Capital and operating cost estimates are partially complete and in-line or better than previous estimates. Stage 1 results to date continue to show financial metrics well in excess of preliminary, minimum targets. capital intensity and unit costs both lowest cost quartile. On track for release in H1 2021.</p> <p>Technology advancements demonstrated an upgrade in product quality from primary grade to technical grade with further upgrades possible.</p>	Target
Secure an investment partner for Sal de Vida as long as value received exceeds pro-rata value of the project.	7.5%	<p>Decision taken to place the potential sell down of part of Sal de Vida on hold due to COVID related reasons with bidders unable to visit site.</p> <p>Now that Galaxy has enough funding to build stage 1, a decision to sell a stake in Sal de Vida is not required for Stage 1 funding.</p>	Not achieved
Secure binding offtake agreements for at least 75% of first year's production from Stage 1.	7.5%	<p>High level of customer interest was generated with 7 MOU's executed with relevant parties.</p> <p>Technology developments upgraded the product from primary to technical grade, changing the marketing approach, therefore discussion with potential offtake partners placed on hold.</p>	Not achieved
Develop and implement a financing plan for Sal de Vida.	7.5%	<p>Financing plan developed with 10 financing alternatives developed and ranked.</p> <p>Sal de Vida stage 1 funding was secured via the equity raising in November 2020.</p>	Target
Achieve board approval of Final Investment Decision in 2020.	7.5%	<p>The Sal de Vida project remains on the schedule released in July 2020 after the initial impact of COVID in Argentina had been determined and the schedule had been revised.</p> <p>Equity raising undertaken in November 2020 on the basis that the project continues seamlessly into the construction phase and the target for first production remains late 2022.</p> <p>Early construction is underway with well-field drilling commencing in November 2020. Although management have not requested FID approval, the board has approved the above project development schedule and endorsed management undertaking all activities to meet the schedule.</p>	Target
Complete James Bay upstream pre-works including IBA, ESIA and value engineering program and update the feasibility study.	7.5%	<p>Value engineering phase was successfully completed yielding a material capital cost saving.</p> <p>Commenced Preliminary Economic Assessment.</p> <p>IBA negotiations were placed on-hold pending completion of Preliminary Economic Assessment.</p> <p>ESIA delayed by changes from Value Engineering.</p> <p>One of four objectives completed, and project has moved to the next stage of development with a PEA nearing completion, threshold performance achieved.</p>	Threshold

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4.3. STI performance and outcomes (continued)

Objective	Weight	Achievement	Outcome
Build and enhance the systems, processes and human capability of the Company in order to deliver the corporate plan.	7.5%	<p>Successful implementation of new HSE and HR systems, policies and procedures achieved, and wide ranging upgrade of IT systems and procedures to meet requirements of external independent review completed on schedule.</p> <p>Prepared 3-year program to lift sustainability.</p> <p>Completed and published first Sustainability Report.</p> <p>Completed executive team with the recruitment of key executives.</p> <p>Sal de Vida workforce planning well advanced.</p>	Target

4.4. STI performance rights summary

The Board has recognised and understands the importance of applying discretion where appropriate in these times, particularly to the outcomes of incentive awards, whilst ensuring that performance is acknowledged and Galaxy is able to retain key employees. Upon review, taking into consideration these factors as detailed above, as well as the Board's:

- desire to preserve cash reserves in the context of the ongoing COVID 19 pandemic; and
- belief that payment of cash bonuses to senior executives is inappropriate in circumstances where the Company has received JobKeeper payments during 2020,

the Board has determined that for FY2020 performance year that any STI awards that would have been payable in cash to the Executive KMPs and other executives / direct reports of the CEO will be paid in the form of Performance Rights issued under the IAP and not in cash as set out in the table below. All of these performance rights vest immediately.

The Executive KMP STI cash award as at 31 December 2020 is as follows:

Cash	STI Cash Opportunity \$	STI Weighted Performance Score %	STI Actual Entitlement \$	Performance Rights to be issued in lieu of Cash #
Simon Hay	162,500	60.85%	98,881	36,896
Nicholas Rowley	77,500	62.64%	48,546	18,114
Alan Rule	97,500	58.24%	56,784	21,188
Tom Blackwell	67,377	61.49%	41,430	15,459

The Executive KMP STI performance rights award as at 31 December 2020 is as follows:

Performance Rights	STI Initial Allocation #	STI Weighted Performance Score %	STI Actual Entitlement #
Simon Hay	434,224	60.85%	264,225
Nicholas Rowley	143,371	62.64%	89,808
Alan Rule	180,370	58.24%	105,047
Tom Blackwell	124,644	61.49%	76,644

As a consequence of the decision to issue performance rights to Executive KMP in lieu of the STI cash award, the Actual Entitlement of total performance rights award as at 31 December 2020 is as follows:

4.4. STI performance rights summary (continued)

Performance Rights	STI Actual Entitlement – in lieu of Cash Award #	STI Actual Entitlement – Performance Rights Award #	Total STI Actual Entitlement #	STI Performance Rights lapsed #
Simon Hay	36,896	264,225	301,121	133,103
Nicholas Rowley	18,114	89,808	107,922	35,449
Alan Rule	21,188	105,047	126,235	54,135
Tom Blackwell	15,459	76,644	92,103	32,541

4.5. LTI performance and outcomes

The performance and outcomes for the Initial Allocation of LTIs was:

- Project Metric Tranche – Project Metric
 - Neither of the performance conditions for the Sal de Vida or the James Bay metric was satisfied during the year. Accordingly, no performance rights vested.
 - Both of these performance conditions remain available to be satisfied at any time on or before 31 December 2023 for the performance rights to vest.
- RTSR Metric Tranche – Relative Total Shareholder Return ("RTSR") Metric
 - This performance condition is only able to be assessed at 31 December 2023 as the TSR for Galaxy and the comparator group will be measured over four years from 1 January 2020 to 31 December 2023.
 - Galaxy's TSR performance for the year ended 31 December 2020 ranked 4th out of the comparator group of 13 companies.

Therefore, no performance rights initially allocated have vested nor have any been cancelled.

4.6. LTI performance rights summary

The summary of Executive KMP LTI performance rights as at 31 December 2020 is as follows:

Performance Rights	Project Metric Tranche – Project Metric Initial Allocation #	RTSR Metric Tranche - RTSR Metric Initial Allocation #	Project Metric Tranche – Project Metric Actual Entitlement #	RTSR Metric Tranche - RTSR Metric Actual Entitlement #	Project Metric Tranche – Project Metric Unvested #	RTSR Metric Tranche - RTSR Metric Unvested #
Simon Hay	1,260,920	409,173	nil	nil	1,260,920	409,173
Nicholas Rowley	414,183	103,546	nil	nil	414,183	103,546
Alan Rule	521,069	130,267	nil	nil	521,069	130,267
Tom Blackwell	480,987	120,247	nil	nil	480,987	120,247

Tranche	Grant date	Vesting date	Expiry Date	Value per right	Exercise Price
Non-market based	9 January 2020	14 January 2024	14 January 2026	\$ 1.140	nil
Non-market based	30 April 2020	14 January 2024	14 January 2026	\$ 0.765	nil
Market-based	9 January 2020	14 January 2024	14 January 2026	\$ 1.006	nil
Market based	30 April 2020	14 January 2024	14 January 2026	\$ 0.590	nil

DETAILS OF REMUNERATION (continued)

Remuneration Year Ended 31 December 2020	Short-term			Post-employment	Share-based payments		Termination Payments	Total	Performance Related
	Cash salary & fees	Incentive Payment	Non-monetary benefits		Super-annuation	Options			
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	%
Director KMP									
Peter Bacchus	100,000	-	-	-	22,684	-	-	122,684	18%
Alan Fitzpatrick ⁽ⁱⁱ⁾	84,942	-	-	5,866	-	-	-	90,808	-
Florencia Heredia	100,000	-	-	-	-	-	-	100,000	-
Martin Rowley	300,000	-	2,811	-	181,470	-	-	484,281	37%
John Turner	100,000	-	-	-	22,684	-	-	122,684	18%
Anthony Tse	400,000	-	-	-	181,470	-	-	581,470	31%
Jian-Nan Zhang ⁽ⁱ⁾	4,304	-	-	409	-	-	-	4,713	-
Executive KMP									
Simon Hay ⁽ⁱⁱⁱ⁾	212,915	-	1,406	7,109	-	42,362	-	263,792	16%
Nicholas Rowley	173,311	-	2,811	14,059	52,406	-	-	242,587	22%
Alan Rule	216,014	-	2,811	14,059	52,406	13,656	-	298,946	22%
Brian Talbot	197,829	-	2,811	15,669	41,925	13,003	-	271,237	20%
Total	1,889,315	-	12,650	57,171	555,045	69,021	-	2,583,202	

i. Mr Zhang retired from the Board of Directors on 16 January 2019.

ii. Mr Fitzpatrick was appointed to the Board of Directors on 16 January 2019.

iii. Mr Hay was appointed as CEO on 1 July 2019.

6. ADDITIONAL DISCLOSURES RELATING TO KMPs

6.1. KMP Performance Rights

All performance rights refer to rights over ordinary shares of Galaxy Resources Limited.

Details of performance rights issued as compensation or exercised by KMP during the year are as follows:

- On 23 January 2020, a total of 3,597,123 performance rights were issued to Executive KMPs as the Initial Allocation pursuant to the new STI and LTI program for FY2020. These performance rights were issued subject to the terms of the IAP and each performance right had a fair value at the date of grant of A\$1.11;
- On 28 May 2020, a total of 725,878 performance rights were issued to Executive KMPs as the Initial Allocation pursuant to the new STI and LTI program for FY2020. These performance rights were issued subject to the terms of the IAP and each performance right had a fair value at the date of grant of A\$0.805;
- On 28 May 2020 a total of 170,000 performance rights were issued to Simon Hay as the award of his pro rata FY2019 incentive pursuant to his employment agreement. These performance rights vested on 30 June 2020. These performance rights were issued subject to the terms of the IAP and each performance right had a fair value at the date of grant of A\$0.805;

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6.1. KMP Performance Rights (continued)

- On 28 May 2020 a total of 55,046 performance rights were issued to Tom Blackwell upon commencement as Executive – Major Projects. These performance rights will vest on 2 April 2021 subject to ongoing employment at the time of vesting. These performance rights were issued subject to the terms of the IAP and each performance right had a fair value at the date of grant of A\$0.805;
- On 1 December 2020 a total of 61,012 performance rights were issued to Executive KMPs pursuant to the 20% salary sacrifice scheme that was introduced on 26 July 2020 for the period up to 18 October 2020 – refer to note 4.2 of this Remuneration Report. These performance rights vested on the grant date and each performance right had a fair value at the date of grant of A\$1.23;
- A total of 23,484 performance rights to be issued to Executive KMPs pursuant to the 20% salary sacrifice scheme that was introduced on 26 July 2020 for the period up to 31 December 2020 – refer to note 4.2 of this Remuneration Report. These performance rights will vest on the grant date; and
- A total of 44,737 performance rights to be issued to Director KMPs pursuant to the 20% salary sacrifice scheme that commenced on 1 July 2020 – refer to note 4.2 of this Remuneration Report. The issue of these performance rights are subject to Shareholder approval at the Company's 2021 Annual General Meeting.

The movement during the financial year in the number of performance rights in the Company held directly, indirectly or beneficially by each KMP, including their related parties, is as follows:

Performance Rights	Balance at 1 January 2020	Granted as remuneration ⁽ⁱⁱ⁾	Exercised	Net Change Other ^(iv)	Balance at 31 December 2020	Vested		
						Total	Exercisable	Not Exercisable
Director KMP								
Peter Bacchus	-	6,391 ⁽ⁱⁱⁱ⁾	-	-	6,391	6,391	-	6,391
Alan Fitzpatrick	-	6,391 ⁽ⁱⁱⁱ⁾	-	-	6,391	6,391	-	6,391
Florencia Heredia	-	6,391 ⁽ⁱⁱⁱ⁾	-	-	6,391	6,391	-	6,391
Martin Rowley	-	19,173 ⁽ⁱⁱⁱ⁾	-	-	19,173	19,173	-	19,173
Anthony Tse	-	-	-	-	-	-	-	-
John Turner	-	6,391 ⁽ⁱⁱⁱ⁾	-	-	6,391	6,391	-	6,391
Executive KMP								
Simon Hay	150,000	2,307,322	-	(133,103)	2,324,219	2,324,219	477,976	1,846,243
Nicholas Rowley	-	676,264	-	(35,449)	640,815	640,815	63,214	577,601
Alan Rule	-	851,068	-	(54,135)	796,933	796,933	75,566	721,368
Tom Blackwell ⁽ⁱ⁾	-	798,711	(12,720)	(32,541)	753,450	753,450	58,794	694,655
Total rights	150,000	4,678,102	(12,720)	(255,228)	4,560,154	4,560,154	675,550	3,884,604

- Mr Blackwell was appointed as Executive – Major Projects on 2 April 2020.
- These performance rights include:
 - the total Initial Allocation of STI and LTI performance rights that are subject to achieving certain performance metrics detailed elsewhere in this Remuneration Report. These performance rights may or may not vest in the future depending on achieving the performance metrics;
 - other performance rights issued during FY2020 that contain certain vesting conditions; and
 - other performance rights issued during FY2020 as salary sacrifice that contain no vesting conditions.
- These performance rights have not yet been issued as they are subject to Shareholder approval at the Company's 2021 Annual General Meeting.
- These are the performance rights that were part of the Initial Allocation of performance rights that will lapse as they did not achieve the performance metrics as detailed elsewhere in this Remuneration Report

REMUNERATION REPORT – AUDITED

6.4. Shareholdings of KMP

The movement during the financial year in the number of ordinary shares in the Company held directly, indirectly or beneficially by each KMP, including their related parties, is as follows:

Ordinary Shares	Balance at 1 January 2020	Exercise of Performance Rights or SARs	Acquisitions / (Disposals)	Net Change Other	Balance at 31 December 2020
Directors					
Peter Bacchus	50,182	-	3,585	-	53,767
Alan Fitzpatrick	-	-	-	-	-
Florencia Heredia	-	-	-	-	-
Martin Rowley	4,569,346	-	326,382	-	4,895,728
Anthony Tse	6,562,043	-	188,236	-	6,750,279
John Turner	115,000	-	67,143	-	182,143
Executive KMP					
Simon Hay	-	-	-	-	-
Nicholas Rowley	100,000	-	9,501	-	109,501
Alan Rule	-	-	-	-	-
Tom Blackwell ⁽ⁱ⁾	-	12,720	(12,720)	-	-
Total Shares	11,396,571	12,720	582,127	-	11,991,418

i. Mr Blackwell was appointed as Executive – Major Projects on 2 April 2020.

All equity transactions with KMP other than those arising from the exercise of options and performance rights have been entered into under terms and conditions no more favorable than those the Group would have adopted if dealing at arm's length.

6.5. Loans to KMP and their related parties

There were no loans made to any KMP and / or their related parties during the current or prior years.

6.6. Other transactions with KMP

The Group acquired the following goods and services from entities that are controlled by members of the Group's KMP:

- Legal services totalling US\$143,914 (including US\$77,816 unpaid at year end) (2019: US\$136,345) were provided by Fasken Martineau DuMoulin LLP. Fasken Martineau DuMoulin LLP are a related party of John Turner.
- Legal services totalling US\$338,705 (including US\$94,833 unpaid at year end) (2019: US\$232,783) were provided by Allende & Brae. Allende & Brae are a related party of Florencia Heredia.
- An amount of US\$nil (2019: US\$37,800) was paid to New Haven Learning Centre for sponsorship of an event. New Haven Learning Centre is a related party of John Turner.

6.7. Statutory performance indicators

Detailed below are the measures of the group's performance over the last five years as required by the Corporations Act 2001. These may not be consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMPs. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded especially as Galaxy's efforts are focused on developing its growth assets.

		2020	2019	2018	2017	2016
Net Profit / (Loss) after tax	\$'000	(31,309)	(283,742)	150,223	127	122,706
Basic Earnings / (Loss) per share	Cps	(7.528)	(69.435)	36.871	0.032	8.3
Dividend payments	\$'000	-	-	-	-	-
Increase / (decrease) in closing share price	%	141	(57)	(43)	46	360

End of Remuneration Report

Signed in accordance with a resolution of the Directors.

Martin Rowley
Chairman

Dated at Perth on 25 February 2021

INDEPENDENCE DECLARATION



Auditor's Independence Declaration

As lead auditor for the audit of Galaxy Resources Limited for the year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink that reads "Douglas Craig".

Douglas Craig
Partner
PricewaterhouseCoopers

Perth
25 February 2021

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CONSOLIDATED FINANCIAL STATEMENT

Consolidated Statement of Comprehensive Income

Consolidated Statement of Financial Position

Consolidated Statement of Changes In Equity

Consolidated Statement of Cash Flows

CONSOLIDATED FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020 US\$'000	2019 US\$'000
Operating sales revenue	2	55,293	69,514
Cost of sales	2	(64,690)	(80,897)
Inventory write down	9	(10,813)	(23,637)
Gross Profit / (Loss)		(20,210)	(35,020)
Impairment of Property, Plant & Equipment and Right of Use Assets	12	(14,183)	(188,905)
Other income	2	9,237	-
Other expenses	2	(11,178)	(16,974)
Profit / (Loss) Before Tax and Net Finance Income		(36,334)	(240,899)
Finance income	5	7,447	11,685
Finance expenses	5	(2,529)	(2,269)
Profit / (Loss) Before Tax		(31,416)	(231,483)
Income tax benefit / (expense)	17	107	(52,259)
Profit / (Loss) After Tax for the Year		(31,309)	(283,742)
Profit / (Loss) Attributable to Members of the Parent		(31,309)	(283,742)
Other Comprehensive Income / (Loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation reserve	7	2,167	(2,270)
<i>Items that will not be classified to profit or loss</i>			
Changes in the fair value of financial assets designated at fair value through other comprehensive income	7	432	(27,316)
Income tax (expense) / benefit relating to changes in fair value of financial assets	7	-	(534)
Other Comprehensive Income / (Loss) for the Period, Net of Tax		2,599	(30,120)
Total Comprehensive Income / (Loss) After Tax		(28,710)	(313,862)
Total Comprehensive Income / (Loss) After Tax Attributable to Members of the Parent		(28,710)	(313,862)
Earnings per share attributable to the ordinary equity holders of the Company			
Basic income / (loss) per share (cents per share)	3	(7.528)	(69.435)
Diluted income / (loss) per share (cents per share)	3	(7.528)	(69.435)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**As at 31 December 2020**

	Note	2020 US\$'000	2019 US\$'000
CURRENT ASSETS			
Cash and cash equivalents	4	210,437	100,907
Financial assets	11	1,770	36,812
Trade and other receivables	8	20,986	10,801
Inventories	9	8,351	27,752
Other current assets		1,725	1,660
Total Current Assets		243,269	177,932
NON-CURRENT ASSETS			
Financial assets	11	2,891	5,514
Property, plant and equipment	12	27,473	33,728
Right of use assets	16	4,369	8,402
Exploration and evaluation assets	13	106,404	88,517
Other non-current assets		2,630	2,003
Total Non-Current Assets		143,767	138,164
Total Assets		387,036	316,096
CURRENT LIABILITIES			
Trade and other payables	10	21,039	24,867
Lease liabilities	16	8,150	6,572
Provisions	15	7,263	6,922
Income tax payable		-	14,022
Total Current Liabilities		36,452	52,383
NON-CURRENT LIABILITIES			
Lease liabilities	16	12,389	18,205
Provisions	15	7,142	4,673
Total Non-Current Liabilities		19,531	22,878
Total Liabilities		55,983	75,261
Net Assets		331,053	240,835
EQUITY			
Contributed equity	7	792,942	674,091
Reserves	7	(37,931)	(33,012)
Accumulated losses		(423,958)	(400,244)
Total Equity		331,053	240,835

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

CONSOLIDATED FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Contributed Equity US\$'000	Reserves US\$'000	Accumulated losses US\$'000	Total US\$'000
Balance at 31 December 2018	673,801	(2,447)	(117,702)	553,652
Profit for the year	-	-	(283,742)	(283,742)
Other comprehensive income / (loss)	-	(30,120)	-	(30,120)
Total comprehensive income / (loss)	-	(30,120)	(283,742)	(313,862)
<i>Transactions with owners in their capacity as owners:</i>				
Transfer of reserve upon exercise of SARs	192	(192)	-	-
Transfer of reserve upon exercise of options	-	(1,200)	1,200	-
Share-based payment transactions	98	947	-	1,045
Balance at 31 December 2019	674,091	(33,012)	(400,244)	240,835
(Loss) for the year	-	-	(31,309)	(31,309)
Other comprehensive income / (loss)	-	2,599	-	2,599
Total comprehensive income / (loss)	-	2,599	(31,309)	(28,710)
<i>Transactions with owners in their capacity as owners:</i>				
Placement	123,996	-	-	123,996
Transaction costs arising from share issue	(5,174)	-	-	(5,174)
Transfer of reserve upon exercise of performance rights	29	(29)	-	-
Transfer of reserve upon forfeit of options	-	(7,595)	7,595	-
Share-based payment transactions	-	106	-	106
Balance at 31 December 2020	792,942	(37,931)	(423,958)	331,053

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

CONSOLIDATED STATEMENT OF CASH FLOWS**For the year ended 31 December 2020**

	Note	2020 US\$'000	2019 US\$'000
OPERATING ACTIVITIES			
Receipts from customers		45,698	63,624
Payments to suppliers, contractors and employees		(51,948)	(98,902)
Cash generated from / (used in) Operations		(6,250)	(35,278)
Income and withholding tax paid		(7,288)	(61,885)
Net Cash inflow / (outflow) from Operating Activities	4	(13,538)	(97,163)
INVESTING ACTIVITIES			
Interest received		8,388	10,686
Payments for property, plant and equipment		(6,116)	(12,628)
Payments for financial assets		-	(68,448)
Proceeds from disposal of financial assets		32,057	850
Payments for loan acquired		-	(31,087)
Repayment of loan acquired		-	31,087
Payments for exploration and evaluation assets		(19,219)	(17,480)
Proceeds from sale of exploration and exploration and evaluation assets	13(a)	-	271,600
Net Cash inflow / (outflow) from Investing Activities		15,110	184,580
FINANCING ACTIVITIES			
Principal elements of lease payments		(7,833)	(7,513)
Net proceeds from issue of shares, net of transaction costs		118,820	-
Bank charges and interest paid		(987)	(1,830)
Proceeds from borrowings		-	32,000
Repayments of borrowings		-	(32,000)
Transaction costs related to loans and borrowings		(575)	(373)
Net Cash inflow / (outflow) from Financing Activities		109,425	(9,716)
Net increase / (decrease) in Cash and Cash Equivalents		110,997	77,701
Cash and cash equivalents at the beginning of the period		100,907	24,755
Effect of foreign exchange rate changes		(1,467)	(1,549)
Cash and Cash Equivalents at the End of the Period	4	210,437	100,907

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION

Galaxy Resources Limited ("Company") is a for profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange (trading under the symbol 'GXY').

The Company's registered office and its principal place of business is Level 4, 21 Kintail Road, Applecross, WA.

The consolidated financial statements of the Company for the year ended 31 December 2020 comprise the Company and the entities it controlled ("Group").

A description of the nature of operations and principal activities of the Group is included in the Directors' Report, which is not part of these financial statements.

The financial report is a general purpose financial report which:

- has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and complies with International Financial Reporting Standards ("IFRS") and interpretations as issued by the International Accounting Standards Board ("IASB");
- has been prepared on a historical cost basis, except for certain assets and liabilities and share-based payments which are required to be measured at fair value. The basis of measurement is discussed further in the individual notes;
- is presented in United States dollars with all values rounded to the nearest thousand dollars (US\$'000) unless otherwise stated, in accordance with ASIC Instrument 2016/191;
- presents reclassified comparative information where required for consistency with the current year's presentation;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 January 2020. Refer to note 26 for further details; and
- does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective. Refer to note 26 for further details.

Principles of consolidation

The consolidated financial statements comprise the financial statements of the Group. A list of controlled entities (subsidiaries) at year-end is contained in note 24.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting that may exist.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profits and losses resulting from intra-Group transactions have been eliminated. Subsidiaries are consolidated from the date on which control is obtained to the date on which control is disposed. The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Foreign currencies

The functional currency of the Company is Australian dollars. The functional currencies of subsidiaries are listed in note 24. As at the reporting date, the assets and liabilities of subsidiaries with functional currencies other than US dollars, are translated into US dollars at the rate of exchange ruling at the balance sheet date and the income statements are translated at the average exchange rates for the year. The exchange differences arising on the retranslation are taken directly to a separate component of equity.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Exchange differences arising from the application of these procedures are taken to the income statement.

Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and which are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements. Where possible, wording has been simplified to provide clearer commentary on the financial report of the Group. Accounting policies determined non-significant are not included in the financial statements. There have been no changes to the Group's accounting policies that are no longer disclosed in the financial statements.

Use of estimates and judgements

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. Judgments and estimates which are material to the financial report are found in the following notes:

Note 2	Units-of-production method of depreciation and amortisation	Page 68
Note 9	Recognition and measurement of inventories	Page 80
Note 13	Impairment of exploration and evaluation assets	Page 85
Note 14	Impairment of non-financial assets and impairment reversals	Page 86
Note 14	Ore reserves and resources	Page 86
Note 15	Rehabilitation Obligations	Page 88
Note 17	Recoverability and measurement of current and deferred tax assets	Page 92
Note 20	Share-based payments	Page 97

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL PERFORMANCE

This section focuses on the results and performance of the Group. This covers both profitability and the resultant return to shareholders via earnings per share.

1. SEGMENT INFORMATION

During the period the Group has managed its businesses by geographic location, which resulted in four operating and reportable segments for 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 Chief Executive Officer (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.

Segment performance is evaluated based on Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") which is allocated to the reportable segments according to the geographic location in which the item arose or relates to. This includes both directly attributable items and those that can be allocated on a reasonable basis. EBITDA is a non-IFRS measure that has been included to assist management to better understand the performance of the business.

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.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

The following table presents financial information for reportable segments for the years ended 31 December 2020 and 31 December 2019:

Continuing Operations 2020	Corporate US\$'000	Australia US\$'000	Argentina US\$'000	Canada US\$'000	Consolidated US\$'000
<i>Segment Result</i>					
Segment revenue ⁽ⁱ⁾	-	55,293	-	-	55,293
EBITDA	(12,017)	(2,148)	8,632	(11)	(5,544)
Finance income	8	70	7,369	-	7,447
Finance expenses	(494)	(2,027)	(4)	(4)	(2,529)
Depreciation and amortisation	(562)	(4,582)	(587)	(63)	(5,794)
Inventory write down	-	(10,813)	-	-	(10,813)
Property, Plant & Equipment and Right of Use Assets Impairment	-	(14,183)	-	-	(14,183)
Profit / (Loss) Before Income Tax	(13,065)	(33,683)	15,410	(78)	(31,416)
<i>Segment Assets</i>					
Segment assets at balance date	3,994	45,836	100,040	22,068	171,938
<i>Unallocated items</i>					
Cash and cash equivalents					210,437
Financial assets – current					1,770
Financial assets – non-current					2,891
Total Assets					387,036

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SEGMENT INFORMATION (continued)

	Corporate US\$'000	Australia US\$'000	Argentina US\$'000	Canada US\$'000	Consolidated US\$'000
Continuing Operations 2020					
Segment Liabilities					
Segment liabilities	6,878	36,794	11,873	438	55,983
Total Liabilities					55,983
Other Disclosures					
Capital expenditure	88	1,541	17,422	2,455	21,506
i. Inter-segment revenue for the period ended 31 December 2020 is US\$Nil.					

	Corporate US\$'000	Australia US\$'000	Argentina US\$'000	Canada US\$'000	Consolidated US\$'000
Continuing Operations 2019					
Segment Result					
Segment revenue ⁽ⁱ⁾	-	69,514	-	-	69,514
EBITDA	(11,944)	23,809	(5,054)	5	6,816
Finance income	1,519	317	9,848	-	11,684
Finance expenses	(865)	(1,397)	(2)	(5)	(2,269)
Depreciation and amortisation	(599)	(34,008)	(504)	(61)	(35,172)
Inventory write down	-	(23,637)	-	-	(23,637)
Property, Plant & Equipment and Right of Use Assets Impairment	(525)	(188,380)	-	-	(188,905)
Profit / (Loss) Before Income Tax	(12,414)	(223,296)	4,288	(61)	(231,483)
Segment Assets					
Segment assets at balance date	4,503	67,945	81,128	19,287	172,863
Unallocated items					
Cash and cash equivalents					100,907
Financial assets – current					36,812
Financial assets – non-current					5,514
Total Assets					316,096
Segment Liabilities					
Segment liabilities	5,066	39,129	24,520	6,546	75,261
Total Liabilities					75,261
Other Disclosures					
Capital expenditure	201	9,293	13,909	5,063	28,466
i. Inter-segment revenue for the period ended 31 December 2019 is US\$Nil.					

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. REVENUE AND EXPENSES

Accounting Policies

Revenue from the sale of products and shipping activities

The Group has signed multi 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 freight" ("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 recognised 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 recognised over the period from completion of the bill of lading to the point in which the Group materially fulfils the performance obligation.

	2020 US\$'000	2019 US\$'000
Operating sales revenue		
Sale of spodumene concentrate	52,822	66,338
Revenue from shipping activities	(a) 2,471	3,176
	55,293	69,514

- (a) 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.

Accounting Policies

Cost of Sales – Sale of Spodumene and Shipping Activities

Cost of goods sold is the inventory value of each tonne of finished product sold. All production is added to inventory at cost, which includes direct costs and depreciation and amortisation, allocated on the basis of ore tonnes mined. The inventory value recognised as cost of goods sold for each tonne of finished product sold is the weighted average cost per tonne for the product sold.

Inventory movement represents the movement in statement of financial position inventory of finished goods, including the non-cash depreciation and amortisation components and any net realisable value write-downs.

Depreciation

Depreciation of mine specific plant and equipment is charged to the statement of comprehensive income on a unit-of-production basis over the measured and indicated resources of the mine concerned, except in the case of assets whose useful life is shorter than the life of mine, in which case, the straight-line method is used. The unit of account is tonnes of ore processed.

Depreciation of non-mine specific plant and equipment is charged to the statement of comprehensive income on a straight-line basis over the estimated useful life, which for the current and comparative periods were:

- Freehold land: Not depreciated
- Plant and equipment: 2 – 15 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Amortisation

Mine development expenditure is amortised on a unit-of-production basis over the measured and indicated resources of the mine concerned. The unit of account is tonnes of ore mined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. REVENUE AND EXPENSES (continued)

	2020 US\$'000	2019 US\$'000
Cost of Sales - Sale of Spodumene and Shipping Activities		
Cash costs of production		
Mining costs	(18,138)	(34,119)
Processing costs	(15,481)	(23,793)
Transport costs	(5,726)	(5,501)
Administration and other site costs	(2,803)	(6,643)
By-product revenue - Tantalum	1,142	2,434
Selling and royalty costs		
Royalties	(3,718)	(5,025)
Sales commission	(153)	(2,429)
Freight, selling and distribution costs	(2,386)	(3,373)
Non-cash costs of production		
Depreciation and amortisation property plant and equipment	12	(2,611)
Depreciation and amortisation right of use assets		(1,971)
Shipping activities costs	(a)	(2,471)
Net inventory movement		34,735
	(64,690)	(80,897)

Key estimates and assumptions

Unit-of-production method of depreciation and amortisation

The Group uses the unit-of-production basis when depreciating/amortising life of mine specific assets which results in a depreciation/amortisation charge proportionate to the depletion of the anticipated remaining life of mine production. Each item's economic life, which is assessed annually, has due regard for both its physical life limitations and the present assessments of measured and indicated resources of the mine property at which it is located.

	2020 US\$'000	2019 US\$'000
Other income		
Net foreign exchange gains	5,737	-
Gain on sale of exploration and evaluation assets	3,500	-
	9,237	-
Other expenses		
Administration expenses	(9,514)	(11,451)
Depreciation	(1,212)	(1,165)
Net foreign exchange loss	-	(3,916)
Rehabilitation expense	85	-
Other expenses	(537)	(442)
	(11,178)	(16,974)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. EARNINGS PER SHARE

Accounting Policy

Earnings per share ("EPS") is the amount of post-tax profit attributable to each share. The Group presents basic and diluted EPS data for ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted EPS takes into account the dilutive effect of all potential ordinary shares, being unlisted employee share options, share appreciation rights and performance rights on issue.

	2020 US\$'000	2019 US\$'000
<i>Earnings used in calculating EPS</i>		
Profit / (Loss) attributable to the ordinary shareholders of the Company	<u>(31,309)</u>	<u>(283,742)</u>
	2020	2019
<i>Weighted average number of shares</i>		
Weighted average number of ordinary shares for basic EPS	415,880,469	408,643,569
<i>Effects of dilution from:</i>		
Share options	-	-
Share appreciation rights	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	415,880,469	408,643,569

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements which would impact the above EPS calculations.

	2020 US\$'000	2019 US\$'000
Earnings per share attributable to the ordinary equity holders of the Company		
Basic income / (loss) per share (cents per share)	(7.528)	(69.435)
Diluted income / (loss) per share (cents per share)	(7.528)	(69.435)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CAPITAL AND RISK MANAGEMENT

This section outlines how the Group manages its capital, related financing costs and its exposure to various financial risks. It explains how these risks affect the Group's financial position and performance and what the Group does to manage these risks.

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and maximise shareholder value.

The Board's policy in relation to capital management is to regularly and consistently monitor future cash flows against expected expenditures for a rolling period of up to 12 months in advance. The Board determines the Group's need for additional funding by way of either share issues or loan funds depending on market conditions at the time. For the purposes of the Group's capital management, capital includes issued capital and all other equity reserves attributable to equity holders of the parent and net financial debt. Within net debt, the Group includes interest-bearing loans and borrowings less cash and cash equivalents.

There were no changes in the Group's approach to capital management during the year.

4. CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant changes in value. Cash at bank earns interest at floating rates based on daily bank deposit rates.

At 31 December 2020, the Group had undrawn, committed borrowing facilities available of US\$40 million (2019: US\$40 million) (note 5).

	2020 US\$'000	2019 US\$'000
Cash and cash equivalents in the statements of financial position and cash flows		
Cash at bank and on hand	210,437	100,907

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 6.

	2020 US\$'000	2019 US\$'000
<i>Reconciliation of profit after income tax to net cash inflow from operating activities</i>		
Profit / (loss) for the year	(31,309)	(283,742)
<i>Adjustments for:</i>		
Gain on sale of exploration and evaluation assets	(3,500)	-
Depreciation and amortisation	5,794	35,172
Net finance (income) costs	(4,918)	(9,416)
Inventory writedown	10,813	23,637
Property, Plant & Equipment Impairment	14,183	188,905
Share based payments	106	945
<i>Changes in assets and liabilities</i>		
(Increase) / decrease in trade and other receivables	(10,185)	(3,712)
(Increase) / decrease in inventories	19,401	(11,044)
(Increase) / decrease in other assets	(694)	(595)
Increase / (decrease) in trade and other payables	(4,405)	(11,206)
Increase / (decrease) in lease liabilities	(4,238)	(6,194)
Increase / (decrease) in income tax payable	(7,395)	(53,321)
Increase / (decrease) in provisions	2,809	65
(Increase) / decrease in deferred tax assets	-	33,343
Net cash (outflow) / inflow from operating activities	(13,538)	(97,163)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. INTEREST-BEARING LIABILITIES, FINANCE INCOME AND EXPENSES

Accounting Policies

Loans and borrowings

Loans and borrowings are initially recognised at fair value, net of directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss.

BNP Paribas – Secured Loan

In April 2018, the Group entered into an agreement with BNP Paribas for a new secured corporate debt facility for up to US\$40 million repayable on 31 December 2020. On 31 December 2020, the maturity date was extended to 31 December 2021. This facility was undrawn throughout FY2020.

Accounting Policies

Finance income

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

Finance costs

Finance costs comprise interest expense on borrowings, bank charges and other related financing costs.

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

Unwinding of discount on provisions

The unwinding of discount on provisions represents the cost associated with the passage of time. Rehabilitation provisions are recognised at the discounted value of the present obligation to restore, dismantle and rehabilitate each mine site with the increase in the provision due to the passage of time being recognised as a finance cost in accordance with the policy described in note 15.

	Note	2020 US\$'000	2019 US\$'000
Finance income			
Interest income		<u>7,447</u>	<u>11,685</u>
Finance expenses			
Interest and finance expense on borrowings		(370)	(747)
Interest and finance expense on lease liabilities		(1,988)	(1,319)
Amortisation of capitalised finance costs		(137)	(138)
Unwinding of discount on provisions	15	(34)	(65)
		(2,529)	(2,269)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT

The Group holds financial instruments for the following purposes:

- **Financing:** to raise finance for the Group's operations or, in the case of short-term deposits, to invest surplus funds. The principal types of instruments used include bank loans, cash and short-term deposits.
- **Strategic:** to pursue growth and diversification opportunities the Group may acquire investments in listed entities.
- **Operational:** the Group's activities generate financial instruments including cash, receivables and trade payables.
- **Risk management:** to reduce risks arising from the financial instruments described above, including foreign currency hedging instruments.

It is, and has been throughout the year, the Group's policy that no speculative trading in financial instruments shall be undertaken.

The Group's holding of these financial instruments exposes it to the following risks:

- Credit risk
- Liquidity risk
- Market risk, including interest rate, exchange rate and equity price risks.

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

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

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

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's cash and cash equivalents and receivable financial assets. Other receivables predominantly relate to security deposits and GST/VAT refunds. Management do not consider this receivable balance is subject to any material credit risk.

The Group limit their exposure to credit risk by only investing in liquid securities and only with counterparties and financial institutions that have credit ratings of between A2 and A1+ from Standard & Poor's and P-1 from Moody's, with more weighting given to investments in the higher credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Assets pledged as security

The undrawn debt facility provided by BNP Paribas is secured by:

- A first ranking, registered fixed and floating charge over all of the assets of Galaxy Resources Limited and its wholly-owned subsidiaries Galaxy Lithium Australia Limited and General Mining Corporation Limited;
- A first ranking, registered Mining Act 1978 (WA) mortgage over the Group's interest in the Mt Cattlin project tenements;
- A fixed charge over the Australian bank accounts; and
- Satisfactory security over Galaxy's rights under key project documents.

Market Risk

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

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk on its financial assets and liabilities. The Group's revenue is primarily denominated in US dollars whereas a material proportion of costs are incurred in Australian dollars and Argentinian Peso and, to a lesser extent, Canadian dollars.

The Group's Statement of Financial Position can also be affected materially by movements in the AUD:USD and ARS:USD exchange rates. Managing the exposure to foreign exchange risk is achieved by regularly monitoring the net exposure to ensure it is kept to an acceptable level by buying or selling foreign currency at spot rates where necessary to address short-term imbalances, or occasionally entering into structured foreign currency option arrangements (i.e. zero cost collars) to fix a portion of the Group's AUD:USD exposure to within a Board approved range.

The Group is holding the following zero cost collars at year end:

31 December 2020	Less than 1 month	1 to 3 months	3 to 6 months	9 to 12 months	Total
Zero Cost Collar (Bought Put Option & Sold Call Option)					
Notional amount (US\$'000)	2,000	4,000	-	-	6,000
Fixed AUD:USD range	0.695 – 0.715	0.695 – 0.715	-	-	

31 December 2019

Nil outstanding options.

The above contracts, which commenced on 25 September 2020, were designated as hedging instruments in cash flow hedges of forecast purchases in AUD. These forecast purchases are highly probable and comprise about 50% of the Group's total expected purchases in AUD. Hedging the foreign currency volatility of expected purchases is in accordance with the risk management strategy outlined by the Board of Directors.

The carrying amounts of the Group's exposure to foreign currency risk at the end of the reporting period, expressed in USD, was as follows:

	Note	2020 US\$'000	2019 US\$'000
Financial assets			
Cash and cash equivalents		119,708	2,342
Financial Assets		6,033	42,325
Trade and other receivables		4,620	6,167
		130,361	50,834
Financial liabilities			
Trade and other payables		18,415	18,049
Balance sheet exposure		111,946	32,785

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Foreign exchange risk (continued)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2020	2019	2020	2019
1 AUD:USD	0.690	0.695	0.771	0.703
1 ARS:USD	0.014	0.021	0.012	0.017

Sensitivity analysis

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

	2020		2019	
	Equity	Profit for the period	Equity	Profit for the period
USD \$'000	-	10,910	-	(674)

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

A 10% strengthening of the Argentinian peso ("ARS") against the USD would have (increased)/decreased equity and profit / (loss) for the year by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2020		2019	
	Equity	Profit for the period	Equity	Profit for the period
USD \$'000	-	270	-	3,927

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

Interest rate risk

Since repayment of all interest-bearing liabilities during the financial year, the Group is only exposed to interest rate risk through its cash deposits which attract variable interest rates. The Group regularly reviews its current working capital requirements against cash balances and the returns available on short-term deposits. There is no significant exposure to interest rate risk at the reporting date.

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

	2020 US\$'000	2019 US\$'000
Cash and cash equivalents	210,437	100,907
Interest rate	0% to 0.35%	0% to 2.75%

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore, a change in market interest rates at reporting date would not affect profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cash flow sensitivity analysis for variable rate instruments

As at 31 December 2020 a sensitivity analysis has not been disclosed in relation to the variable interest rate cash on deposit as Galaxy is not materially exposed to cash flow sensitivities relating to variable rate instruments.

Equity Price Risk

The Group's listed and unlisted equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages equity price risk through diversification and placing limits on individual and total equity instruments. The Group's Board of Directors reviews and approves all equity investment decisions.

Sensitivity Analysis

The Group has elected to present fair value changes for all equity investments through other comprehensive income, accordingly, a general increase/(decrease) in the securities of 10% at balance sheet dates, would increase/(decrease) the Group's equity by the amounts shown below:

	2020 US\$'000	2019 US\$'000
Increase of 10%	466	551
Decrease of 10%	(466)	(551)

Fair Values

The carrying amounts and estimated fair values of all of the Group's financial instruments recognised in the financial statements are materially the same. The methods and assumptions used to estimate fair value of the financial instruments are disclosed in the respective notes.

Valuation of financial instruments

For all fair value measurements and disclosures, the Group uses the following levels to categorise the method used:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The Group's derivative liabilities (foreign currency options) and holdings of unlisted options are classified as Level 2 as they were valued using valuation techniques that employ the use of market observable inputs. The most frequently applied valuation techniques include option pricing models incorporating various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rates relevant to the respective currencies. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for the foreign currency options designated in hedge relationships.
- **Level 3:** inputs for the asset or liability that are not based on observable market data

For financial instruments that are carried at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between levels during the year. The table below shows the Group's financial instruments classified into the three levels prescribed under the accounting standards.

	2020			2019		
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000
Financial assets at FVOCI	4,547	-	114	5,448	-	66

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. CONTRIBUTED EQUITY AND RESERVES

Accounting Policy

Contributed equity

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

Nature and purpose of reserves

Equity-settled payment reserve

The equity-settled payments reserve comprises the portion of the grant date fair value of unexercised share options granted to employees and financiers of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 20.

Foreign currency translation reserve

The foreign currency reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Fair value reserve

The fair value reserve records fair value changes on financial assets designated at fair value through other comprehensive income ("FVOCI").

Capital reserve

The capital reserve comprises transactions with owners to acquire non-controlling interests.

Ordinary shares on issue:

	2020 Shares	2019 Shares	2020 US\$'000	2019 US\$'000
Fully paid ordinary shares	504,063,884	409,479,338	792,942	674,091

The holders of ordinary shares are entitled to receive dividends as declared from time to time and, on a poll, are entitled to one vote per share at meetings of the Company. The Company does not have authorised capital or par value in respect of its issued shares.

Movement in ordinary shares on issue:

	Number of shares	US\$'000
Balance at 31 December 2018	407,524,024	673,801
Issued as consideration for services in lieu of cash	137,000	98
Exercise of SARs	(a) 1,818,314	192
Balance at 31 December 2019	409,479,338	674,091
Exercise of performance rights	31,069	30
Placement	94,553,477	118,821
Balance at 31 December 2020	504,063,884	792,942

(a) A total of 1,818,314 ordinary shares were issued upon exercise of 2,000,000 share appreciation rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Reserves

The following table shows the movements in reserves during the current and prior 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 2019	13,706	(18,394)	(1,382)	3,623	(2,447)
Foreign currency translation differences	-	(2,270)	-	-	(2,270)
Change in fair value of financial assets	-	-	(27,316)	-	(27,316)
Deferred tax	-	-	(534)	-	(534)
Total comprehensive income / (loss)	-	(2,270)	(27,850)	-	(30,120)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payment transactions	947	-	-	-	947
Transfer of reserve upon:					
- exercise of SARs	(192)	-	-	-	(192)
- forfeit of options	(1,200)	-	-	-	(1,200)
Balance at 31 December 2019	13,261	(20,664)	(29,232)	3,623	(33,012)
Balance at 1 January 2020					
Foreign currency translation differences	-	2,167	-	-	2,167
Change in fair value of financial assets	-	-	432	-	432
Total comprehensive income / (loss)	-	2,167	432	-	2,599
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payment transactions	106	-	-	-	106
Transfer of reserve upon:					
- exercise of performance rights	(29)	-	-	-	(29)
- forfeit of options	(7,595)	-	-	-	(7,595)
Balance at 31 December 2020	5,743	(18,497)	(28,800)	3,623	(37,931)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

WORKING CAPITAL

This section provides additional information that the Directors consider most relevant to understanding the composition and management of the Group's working capital.

8. TRADE AND OTHER RECEIVABLES

Accounting Policy

Receivables are initially recognised at fair value and subsequently at the amounts considered receivable (financial assets at amortised cost). In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Balances within receivables do not contain impaired assets, are not past due and are expected to be received when due.

Due to the short-term nature of these receivables, their carrying value is assumed to approximate fair value.

	Note	2020 US\$'000	2019 US\$'000
<i>Current</i>			
Trade receivables		19,738	8,675
Other receivables	(a)	1,248	2,126
		20,986	10,801

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

9. INVENTORIES

Accounting Policy

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

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

Inventory write down

At 30 June and at 31 December, the carrying value of ore and spodumene inventories on hand was reduced to net realisable value resulting in an inventory write down as set out below:

	2020 US\$'000	2019 US\$'000
Write down at 30 June	10,813	13,589
Write down at 31 December	-	10,048
	10,813	23,637

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Inventory balance

The closing balance of inventories is summarised below:

	2020 US\$'000	2019 US\$'000
<i>Current</i>		
Ore and spodumene – at cost	5,472	35,276
Inventory write down at 31 December	-	(10,048)
	<hr/>	<hr/>
	5,472	25,228
<i>Consumables</i>		
	2,879	2,524
	<hr/>	<hr/>
	8,351	27,752

Key estimates and assumptions

Recognition and measurement of inventories

Net realisable value tests are performed at each reporting date and represent the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale. Where the time value of money is material, these future prices and costs to complete are discounted.

Spodumene ore stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained Li₂O tonnes based on assay data and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

10. TRADE AND OTHER PAYABLES

Accounting Policies

Trade payables

Trade and other payables are initially recognised at the value of the invoice received from a supplier and subsequently measured at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and generally paid within 30 days of recognition.

	2020 US\$'000	2019 US\$'000
<i>Current</i>		
Trade payables and accrued expenses	20,444	18,196
Other payable	173	6,091
Payroll tax and other statutory payables	422	580
	<hr/>	<hr/>
	21,039	24,867

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. FINANCIAL ASSETS

Accounting Policy

Financial assets are initially recognised when a member of the Group becomes a party to the contractual provisions of a financial instrument. These instruments are classified and measured in accordance with AASB9 Financial Instruments as outlined below.

Fixed Rate Note

On 7 August 2019, Galaxy Lithium (Sal de Vida) S.A. ("GLSSA") purchased a US\$50 million 12-month ARS:USD fixed rate note with a coupon of 45.26% with the Goldman Sachs Group ("Fixed Rate Note") repayable on 10 August 2020. The Fixed Rate Note's specified currency is Argentinian Pesos ("ARS") and has been converted into USD when initially recognised on the balance sheet, when calculating the monthly coupon interest payments and when the repayment of the principal (ARS 2,204,000,000) is made.

Interest income is calculated on the ARS principal value of the Fixed Rate Note and payable monthly in USD at the spot rate. Interest income is recognised through the profit and loss. All gains and losses on translation into USD of this Fixed Rate Note are recognised through the profit and loss. During the Year, interest income of US\$6,881,000 was recognised and a foreign exchange loss of US\$5,410,000 was recognised.

On 29 June 2020, GLSSA redeemed the Fixed Rate Note in full with total proceeds of US\$31,402,000 received on 2 July 2020.

	2020 US\$'000	2019 US\$'000
<i>Current</i>		
Fixed Rate Note	-	36,812
Financial assets at fair value through OCI – listed shares	1,770	-
	1,770	36,812

Equity Instruments

Equity instruments are normally measured at fair value through profit or loss ("FVTPL") unless the Group chooses, on an instrument-by-instrument basis on initial recognition, to present fair value changes in other comprehensive income ("FVOCI"). This option is irrevocable and only applies to equity instruments which are neither held for trading nor are contingent consideration in a business combination. Gains and losses on equity instruments measured at FVOCI are not recycled through profit or loss on disposal and there is no impairment accounting. All gains and losses are recorded in equity through other comprehensive income.

	2020 US\$'000	2019 US\$'000
<i>Non-Current</i>		
Financial assets at fair value through OCI – listed shares	2,777	5,448
Financial assets at fair value through OCI – unlisted shares	114	66
	2,891	5,514

Financial assets at fair value through Other Comprehensive Income ("OCI")

During the year, the Group made strategic investments through the on-market acquisition of shares and exercising of rights pursuant to a rights issue for another company.

At balance date, the Group holds non-controlling interests in these companies which are carried at fair value determined with reference to the published price quoted on the ASX, an active market ("Level 1" fair value measurement for listed shares and "Level 3" for unlisted shares). These investments were irrevocably designated at FVOCI as the Group considers them to be strategic in nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

KEY BALANCE SHEET ITEMS

This section shows the assets used to generate the Group's trading performance and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in the Capital and Risk Management section.

12. PROPERTY, PLANT AND EQUIPMENT

	Land US\$'000	Plant & Equipment US\$'000	Mine development expenditure US\$'000	Total US\$'000
Cost				
Balance at 1 January 2019	1,856	125,963	169,991	297,810
Additions	314	4,736	7,578	12,628
Transfer from Exploration and Evaluation Assets	-	-	11,101	11,101
Rehabilitation provision adjustment	-	-	(1,465)	(1,465)
Disposals	-	(78)	-	(78)
Foreign exchange movement	(4)	(419)	(639)	(1,062)
Balance at 31 December 2019	2,166	130,202	186,566	318,934
Additions	-	6,133	-	6,133
Transfer from Exploration and Evaluation Assets	-	-	329	329
Rehabilitation provision adjustment	-	-	302	302
Disposals	-	(24)	-	(24)
Foreign exchange movement	545	4,252	7,538	12,335
Balance at 31 December 2020	2,711	140,563	194,735	338,009
Accumulated Depreciation				
Balance at 1 January 2019	-	(35,726)	(48,710)	(84,436)
Depreciation and amortisation	-	(10,610)	(17,787)	(28,397)
Impairment	-	(62,908)	(110,198)	(173,106)
Disposals	-	39	-	39
Foreign exchange movement	-	346	348	694
Balance at 31 December 2019	-	(108,859)	(176,347)	(285,206)
Depreciation and amortisation	-	(2,229)	(1,223)	(3,452)
Impairment	-	(6,354)	(4,337)	(10,691)
Disposals	-	21	-	21
Foreign exchange movement	-	(4,024)	(7,184)	(11,208)
Balance at 31 December 2020	-	(121,445)	(189,091)	(310,536)
Net book value				
At 31 December 2019	2,166	21,343	10,219	33,728
At 31 December 2020	2,711	19,118	5,644	27,473

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies

Property, plant and equipment

The value of property, plant and equipment is measured as the cost of the asset, less depreciation and impairment. The cost of the asset also includes the cost of replacing parts that are eligible for capitalisation, the cost of major inspections and an initial estimate of the cost of dismantling and removing the item from site at the end of its useful life (rehabilitation provisions). Changes in the rehabilitation provisions resulting from changes in the size or timing of the cost or from changes in the discount rate are also recognised as part of the asset cost.

Mine development expenditure

Development expenditure relates to costs incurred after the technical feasibility and commercial viability of extracting the mineral resource has been demonstrated and an identified mineral reserve is being prepared for production (but is not yet in production). The value of mine development expenditure is measured at cost, less amortisation and impairment.

Cost includes:

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

These costs are capitalised to the extent they are expected to be recouped through the successful exploitation of the related mining lease and capitalisation ceases once the mining property is capable of commercial production. Any development expenditure incurred once a mine property is in production is immediately expensed to profit or loss except where it is probable that future economic benefits will flow to the entity, in which case it is capitalised as property, plant and equipment.

Derecognition

An item of property, plant and equipment or mine development expenditure is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no further economic benefits. Any gain or loss from derecognising the asset (the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period the item is derecognised.

Impairment

Property, plant and equipment (including mine development costs) is tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable (note 14).

The Group conducts an internal review of asset values at each reporting date, which is used as a source of information to assess for any indicators of impairment. Factors, such as changes in spodumene prices, production performance and costs are monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating unit or "CGU").

Given the low price of spodumene during the half year to 30 June 2020 resulting in losses on each shipment and the weak outlook for spodumene prices in the short and medium term, it was determined that indicators of impairment of the Mt Cattlin CGU were present at 30 June 2020 and an impairment of US\$14.2 million was made.

The following key assumptions were used in the DCF valuation of Mt Cattlin at 30 June 2020:

- Future production based on the life of mine ("LOM") plan.
- Spodumene price forecasts (real) ranging from \$350 / dmt to \$522 / dmt CIF China.
- Average future cash cost of production ranging from \$306 / dmt to \$382 / dmt.
- Discount rate (real post tax) applied to cash flow projections of 7.5%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Impairment (continued)

Subsequent to the half year, overall sentiment, spodumene prices and carbonate prices in China have improved in Q4 and all other assumptions have trended in line with those utilised in the 30 June 2020 impairment assessment and no further indicators of impairment of the Mt Cattlin CGU were detected at 31 December 2020. Therefore, no further impairment charges were recognised.

Set out in the table below is a summary of impairments recognised in prior periods:

	2020 US\$'000	2019 US\$'000
Impairment at 30 June – Property, plant and equipment	10,691	123,472
Impairment at 31 December – Property, plant and equipment	-	49,634
	10,691	173,106
Impairment at 30 June – Right of use assets (note 16)	3,492	-
Impairment at 31 December – Right of use assets	-	15,799
	14,183	188,905

13. EXPLORATION AND EVALUATION ASSETS

Accounting Policy

Recognition and measurement

Exploration and evaluation expenditure is accumulated on an area of interest basis. Exploration and evaluation assets include the costs of acquiring licenses, costs associated with exploration and evaluation activity and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Expenditure is carried forward when incurred for areas for which the Group has rights of tenure and where economic mineralisation is indicated, but activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the statement of comprehensive income.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine development expenditure within property, plant and equipment. Amortisation is not charged during the evaluation phase.

Impairment

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to the cash-generating units ("CGUs") to which the exploration activity relates. The CGU is not larger than the area of interest.

Derecognition

An area of interest (in whole or part) is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no further economic benefits. Any gain or loss from derecognising the asset (the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period the item is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. EXPLORATION AND EVALUATION ASSETS (continued)

	Australia- Other US\$'000	Australia- Mt Cattlin US\$'000	Argentina- Sal de Vida US\$'000	Canada- James Bay US\$'000	Total US\$'000
Cost					
Balance at 1 January 2019	33	8,783	59,803	13,025	81,644
Additions	27	2,359	8,413	5,039	15,838
Rehabilitation provision adjustment	-	-	1,169	-	1,169
Transfer to mine properties	-	(11,101)	-	-	(11,101)
Foreign exchange movement	(1)	(41)	237	772	967
Balance at 31 December 2019	59	-	69,622	18,836	88,517
Additions	17	194	12,707	2,455	15,373
Rehabilitation provision adjustment	-	-	1,781	-	1,781
Foreign exchange movement	9	28	228	468	733
Balance at 31 December 2020	85	222	84,338	21,759	106,404

Key estimates and assumptions

Impairment of exploration and evaluation assets

Determining the recoverability of exploration and evaluation assets capitalised in accordance with the Group's accounting policy requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploration, or alternatively sale, of the respective areas of interest will be achieved. Critical to this assessment is estimates and assumptions as to ore reserves (note 14), the timing of expected cash flows, exchange rates, commodity prices and future capital requirements. Changes in these estimates and assumptions as new information about the presence or recoverability of an ore reserve becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after having capitalised the expenditure under the accounting policies, a judgment is made that the recovery of the expenditure is unlikely, an impairment loss is recorded in the profit or loss.

14. IMPAIRMENT OF NON-FINANCIAL ASSETS

Accounting Policy

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Reversal of impairment for property, plant and equipment

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

Critical judgements

Impairment of non-financial assets, impairment reversals

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

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

Key estimates and assumptions

Ore reserves and resources

Economically recoverable ore reserves represent the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions. The Group prepares and reports ore reserves under the standards incorporated in the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves, 2012 edition (the JORC Code). The determination of ore reserves includes estimates and assumptions about a range of geological, technical and economic factors, including: quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Changes in ore reserves impact the assessment of recoverability of exploration and evaluation assets, property, plant and equipment, the carrying amount of assets depreciated on a units of production basis, provision for site restoration and the recognition of deferred tax assets, including tax losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. PROVISIONS

Accounting Policy

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

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

Provision for rehabilitation

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site rehabilitation is recognised in respect of the estimated cost of rehabilitation, decommissioning and restoration of the area disturbed during mining activities up to reporting date, but not yet rehabilitated.

When the liability is initially recognised, the estimated cost is capitalised by increasing the carrying amount of the related mining assets. At each reporting date the site rehabilitation provision is re-measured to reflect any changes in discount rates and timing or amounts of the costs to be incurred. Additional disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation provision, prospectively from the date of change. For closed sites, or where the carrying value of the related asset has been reduced to nil either through depreciation and amortisation or impairment, changes to estimated costs are recognised immediately in profit or loss.

Employee entitlements

A current liability is recognised for the amount expected to be paid to an employee for annual leave they are presently entitled to as a result of past service. The liability includes allowances for on-costs such as superannuation and payroll taxes, as well as any future salary and wage increases that the employee may reasonably be entitled to.

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service up to reporting date, plus related on costs. The benefit is discounted to determine its present value and the discount rate is the yield at reporting date on high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

	2020 US\$'000	2019 US\$'000
Current		
Employee benefits	1,349	953
Rehabilitation	(a) 5,914	5,897
Other	-	72
	7,263	6,922
Non-current		
Employee benefits	131	64
Rehabilitation	(a) 7,011	4,609
	7,142	4,673

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. PROVISIONS (continued)

	2020 US\$'000	2019 US\$'000
(a) Provision for rehabilitation		
Balance at 1 January	10,506	10,762
Additional provision charged to property, plant and equipment	2,117	(269)
Charged/(credited) to profit or loss:		
Additional provisions recognised	-	-
Unwinding of discount	34	65
Amounts used during the year	(87)	(373)
Foreign exchange movement	355	321
	12,925	10,506

Nature and purpose of provision for rehabilitation

Non-current provisions mainly relate to the Group's rehabilitation obligations in Australia and Canada. Such activities include dismantling infrastructure, removal and treatment of waste material, and land rehabilitation, including recontouring, top soiling and revegetation of the disturbed area.

Australia

A provision of US\$3,535,000 (2019: US\$2,914,000) has been recognised in respect of the rehabilitation obligations for Mt Cattlin.

Canada

A provision of US\$5,914,000 (2019: US\$5,897,000) has been recognised in respect of the restoration of the tailings site at a former Lithium One Inc. mining site in Canada. Subject to negotiations with government authorities in Québec, the rehabilitation is expected to commence in late 2021.

Argentina

A provision of US\$3,476,000 (2019: US\$1,695,000) has been recognised in respect of the rehabilitation obligations for Sal de Vida.

Key estimates and assumptions

Rehabilitation obligations

Determining the cost of rehabilitation, decommissioning and restoration of the area disturbed during mining activities requires the use of significant estimates and assumptions, including: the appropriate rate at which to discount the liability, the timing of the cash flows and expected life of the relevant area of interest, the application of relevant environmental legislation, and the future expected costs of rehabilitation, decommissioning and restoration.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. LEASES

a) Accounting Policy

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The weighted average interest rate was 4.75%. The right-of-use asset is depreciated over the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessees is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option

Right-of-use assets are measured at cost comprising:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- an estimate of restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. If the group is reasonably certain to exercise a purchase option, the right of use asset is depreciated over the underlying assets useful life.

Set out below is a summary of the amounts disclosed in the Consolidated Statement of Financial Position:

	2020 US\$'000	2019 US\$'000
Lease liability		
Current	8,150	6,572
Non-current	12,389	18,205
	20,539	24,777
Right of use assets		
Properties	497	831
Equipment	3,872	7,571
	4,369	8,402

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

TAXATION

17. INCOME TAX

Accounting Policy

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

Current Tax

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

	2020 US\$'000	2019 US\$'000
<i>A reconciliation between tax expense and the product of accounting profit before tax multiplied by the Group's applicable income tax rate is as follows:</i>		
Accounting profit / (loss) before income tax	(31,416)	(231,483)
At Australia's statutory income tax rate of 30% (2019:30%)	9,425	69,445
Tax effect of amounts which are not (deductible)/taxable in calculating taxable income:		
Share-based payments	(33)	(286)
Other non-deductible expenses	(64)	(99)
Other overseas assessable income	-	(12,094)
Current period tax losses not recognised	(5,073)	(4,157)
Impairment not recognised in income tax	(4,255)	(63,790)
Derecognition of deferred tax assets	(a)	- (33,344)
Dividend withholding tax	-	(7,494)
Adjustments in respect of income tax of previous years	107	(440)
Income tax benefit / (expense) reported in the statement of comprehensive income	107	(52,259)
<i>The components of income tax expense are:</i>		
Current income tax benefit / (expense)	107	(18,915)
Deferred income tax benefit / (expense)	-	(33,344)
	107	(52,259)

- (a) Deferred tax assets of US\$Nil (2019: US\$33.3 million) have been derecognised in relation to unused tax losses, due to insufficient taxable income being forecast in the future from the Mt Cattlin operations to utilise these carried forward tax losses.

In Australia tax losses of approx. US\$202.3 million (2019 \$US152.5 million) will be carried forward indefinitely and can be used to offset any future profits generated subject to meeting the carry forward loss testing requirements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Deferred Tax

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

Deferred income tax liabilities are recognised for all taxable temporary differences, other than for the exemptions permitted under accounting standards. At 31 December 2020 there are no unrecognised temporary differences associated with the Group's investment in subsidiaries (2019: US\$nil).

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that future taxable profits will be available to utilise these deductible temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by reporting date.

Deferred tax assets and liabilities are only offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their assets and liabilities will be realised simultaneously.

Recognised deferred tax assets and liabilities

Deferred tax at 31 December relates to the following:

	2020 US\$'000	2019 US\$'000
Deferred tax liabilities		
Right of use assets	1,311	7,260
Gross deferred tax liabilities	1,311	7,260
Set off of deferred tax liabilities	(1,311)	(7,260)
Net deferred tax liabilities	-	-
Deferred tax assets		
Financial assets	9,942	3,956
Provisions	4,322	3,479
Expenses deductible over time	191	274
Lease liability	6,162	7,433
Impairment not recognised in income tax	60,926	63,790
Tax losses carried forward	60,692	49,850
Gross deferred tax assets	142,235	128,782
Set off of deferred tax liabilities	(1,311)	(7,260)
Impairment not recognised in income tax	(60,926)	(63,790)
Deferred tax assets derecognised	(a)	(33,344)
Deferred tax assets not brought to account	(79,998)	(24,388)
Net deferred tax assets	-	-

(a) Deferred tax assets of US\$Nil (2019: US\$33.3 million) have been derecognised in relation to unused tax losses, due to insufficient taxable income being forecast in the future from the Mt Cattlin operations to utilise these carried forward tax losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Recognised deferred tax assets and liabilities (continued)

Key estimates and assumptions

Recoverability and measurement of current and deferred tax assets

Recognition of deferred tax assets, including those related to tax losses, depends on management's expectation of future taxable profit that will be available against which the tax losses can be utilised and the application of existing tax laws in each relevant jurisdiction. Actual utilisation of tax losses will be dependent on the Company passing the continuity of ownership test. If the Company fails this test, then the same business test criteria will have to be met.

Tax consolidation

The Company and the Australian subsidiary, Galaxy Lithium Australia Limited, formed a tax consolidated group on 1 July 2008 under Australian taxation laws, whereby all entities within the tax consolidated group are taxed as a single entity. On 29 September 2016, General Mining Corporation Limited entered the tax consolidated group. The head entity of the tax consolidated group is Galaxy Resources Limited.

Members of the tax consolidated group have entered into a tax sharing arrangement in order to allocate income tax expense to the Australian wholly owned controlled entities on a pro-rata basis. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote.

Tax effect accounting by members of the tax consolidated group

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

Other Taxes

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

UNRECOGNISED ITEMS

This section of the notes provides information about items that are not recognised in the financial statements as they do not satisfy the recognition criteria.

18. COMMITMENTS AND CONTINGENCIES

Capital Commitments

Mining tenements

In order to maintain current rights of tenure to mining tenements, the Group will be required to perform 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.

The estimated exploration expenditure commitment for the ensuing years, but not recognised as a liability in the statement of financial position is as follows:

	2020 US\$'000	2019 US\$'000
Within one year	743	743
More than one year but less than five years	2,973	2,971
3,716	3,714	

Contingent Assets and Liabilities

Contingent Assets

The Group had no material contingent assets at 31 December 2020 (31 December 2019: Nil) or at the date of this report.

Contingent Liabilities

The Group had no material contingent liabilities at 31 December 2020 (31 December 2019: Nil) or at the date of this report.

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.

19. EVENTS SUBSEQUENT TO REPORTING DATE

In the interval between the end of the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

OTHER DISCLOSURES

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

20. SHARE BASED PAYMENTS

The Group provides benefits to employees and Directors of the Group through share-based incentives. Employees are paid for their services or incentivised for their performance in part through options, share appreciation rights ("SARs") or performance rights. The expense arising from these transactions, recognised in Administration Expenses in the profit or loss during the year, was US\$106,000 (2019: US\$920,000). All share-based incentives granted and outstanding during the year are equity-settled.

Accounting Policy

Equity-settled transactions

The cost of equity-settled transactions with employees is measured using their fair value at the date at which they are granted. In determining the fair value, no account is taken of any performance conditions other than those linked to the price of the shares of Galaxy Resources Limited (market conditions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which any performance conditions (excluding market conditions) are met (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the proportion of the awards that are expected to ultimately vest. No expense is recognised for awards that do not ultimately vest due to a performance condition not being met. The expense is recognised in full if the awards do not vest (or are not exercised) due to a market condition not being met.

Where the terms of an equity-settled award are modified an expense is recognised as if the terms had not been modified. Any increase in the value of the transaction as a result of the modification is recognised as an additional expense. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised is recognised immediately, unless a new award is designated as a replacement, in which case it is treated as a modification as described above.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Group Share-based Incentive Schemes

Long Term Incentive Plan ("LTIP")

The Galaxy Resources LTIP was approved by shareholders at the AGM held on 29 May 2015 and provides for the issue of SARs and performance rights to assist in the recruitment, reward, retention and motivation eligible persons of the Group. Under the LTIP the Board may issue eligible persons with SARs or performance rights to acquire shares in the future at an exercise price fixed by the Board on grant of the rights. The vesting of all SARs or performance rights is subject to service conditions being met whereby the recipient must meet the eligible employee criteria in the LTIP, as well as any other vesting conditions determined by the Board at grant date. SARs expire at the earlier of 5 years from vesting date or any other date determined by the Board and specified at the time of grant.

There were no grants of SARs under the LTIP during the current year (2019: Nil SARs).

All performance rights refer to rights over ordinary shares of Galaxy Resources Limited.

Details of performance rights granted as compensation or exercised by KMP during the year are as follows:

- On 23 January 2020, a total of 7,528,036 performance rights were granted to employees as the Initial Allocation pursuant to the new STI and LTI program for FY2020. These performance rights were issued subject to the terms of the IAP and each performance right had a fair value at the date of grant of A\$1.11;
- On 28 May 2020, a total of 1,280,472 performance rights were granted to employees as the Initial Allocation pursuant to the new STI and LTI program for FY2020. These performance rights were issued subject to the terms of the IAP and each performance right had a fair value at the date of grant of A\$0.805;
- On 28 May 2020 a total of 170,000 performance rights were granted to Simon Hay as the award of his pro rata FY2019 incentive pursuant to his employment agreement. These performance rights vested on 30 June 2020. These performance rights were issued subject to the terms of the IAP and each performance right had a fair value at the date of grant of A\$0.805;
- On 28 May 2020 a total of 55,046 performance rights were granted to Tom Blackwell upon commencement as Executive – Major Projects. These performance rights will vest on 2 April 2021 subject to ongoing employment at the time of vesting. These performance rights were issued subject to the terms of the IAP and each performance right had a fair value at the date of grant of A\$0.805;
- On 1 December 2020 a total of 82,102 performance rights were granted to Executive KMPs pursuant to the 20% salary sacrifice scheme that was introduced on 26 July 2020 for the period up to 18 October 2020. These performance rights vested on the grant date and each performance right had a fair value at the date of grant of A\$ 1.23;
- On 02 December 2020, a total of 169,563 performance rights were granted to employees as the Initial Allocation pursuant to the new STI and LTI program for FY2020. These performance rights were issued subject to the terms of the IAP and each performance right had a fair value at the date of grant of A\$1.195;
- A total of 23,484 performance rights to be granted to Executive KMPs pursuant to the 20% salary sacrifice scheme that was introduced on 26 July 2020 for the period up to 31 December 2020. These performance rights will vest on the grant date; and
- A total of 44,737 performance rights to be granted to Director KMPs pursuant to the 20% salary sacrifice scheme that commenced on 1 July 2020. The issue of these performance rights are subject to Shareholder approval at the Company's 2021 Annual General Meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Options, performance rights and SARs outstanding at 31 December 2020

	Exercise Price A\$	Expiry Date	Vested	Unvested	Total
Unlisted options	3.66	1 May 2021	300,000	200,000	500,000
SARs	n/a	2 – 4 years	400,000	-	400,000
Performance rights	n/a	3 – 6 years	220,000	9,000,149	9,220,149

Options, performance rights and SARs outstanding at 31 December 2019

	Exercise Price A\$	Expiry Date	Vested	Unvested	Total
Unlisted options	2.78	14 June 2020	11,230,000	2,070,000	13,300,000
Unlisted options	3.66	1 May 2021	300,000	200,000	500,000
SARs	n/a	4 – 6 years	400,000	-	400,000
Performance rights	n/a	1 – 3 years	-	150,000	150,000

Key estimates and assumptions

Share based payments

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

Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. Any different estimates and assumptions affecting the measurement inputs would have resulted in different grant date fair values, which would have changed equity settled share-based payments expense. Subsequent changes to this estimate could have a significant effect on share-based payment expense and the associated equity-settled payments reserve.

Shares

Shares in lieu of payment

During the current year, zero shares were issued to consultants in lieu of cash settlement for outstanding invoices (2019: 137,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. DEED OF CROSS GUARANTEE

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 ("ASIC Instrument"), relief has been granted to Galaxy Lithium Australia Limited ("GLAL") and General Mining Corporation Limited ("GMM") from the Corporations Act 2001 requirements for the preparation, audit and lodgment of a financial report.

As a condition of the ASIC Instrument, the Company and GLAL entered into a Deed of Cross Guarantee ("Deed") on 19 September 2011. A variation deed was entered into on 20 December 2016 between the Company, GLAL and GMM ("Closed Group"). The effect of this Deed is that the Company and other members of the Closed Group guarantee to pay any deficiency in the event of winding up of these controlled entities or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

The consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position, of the entities that are members of the Closed Group, after eliminating all intra-Group transactions, are as follows:

Consolidated Statement of Comprehensive Income

	2020 US\$'000	2019 US\$'000
Revenue	56,253	69,515
Finance income	78	1,836
Other income	-	-
Operating costs	(64,692)	(80,898)
Administration costs	(3,928)	(4,375)
Employment costs	(5,834)	(7,364)
Depreciation	(161)	(208)
Finance costs	(2,518)	(2,260)
Foreign exchange loss	4,355	(755)
Other expenses	(602)	(447)
Impairment of Property, Plant & Equipment and Inventory writedown	(21,503)	(196,744)
Profit / (loss) before taxation	(38,552)	(221,700)
Income tax (expense) / benefit	-	(33,207)
Profit / (loss) after taxation	(38,552)	(254,907)
Other comprehensive income / (loss)	(18,923)	(23,466)
Total comprehensive income for the year	(57,475)	(278,373)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

	2020 US\$'000	2019 US\$'000
CURRENT ASSETS		
Cash and cash equivalents	122,489	14,834
Trade and other receivables	20,886	9,577
Inventories	8,351	27,752
Other current assets	1,229	1,107
Total Current Assets	152,955	53,270
NON-CURRENT ASSETS		
Property, plant and equipment	15,222	25,546
Right of use assets	4,369	8,402
Exploration and evaluation assets	807	497
Financial assets	4,661	5,514
Trade and other receivables	(10,786)	18,123
Investments in subsidiaries	67,205	67,205
Total Non-Current Assets	81,478	125,287
Total Assets	234,433	178,557
CURRENT LIABILITIES		
Trade and other payables	18,197	36,899
Lease liabilities	8,150	6,572
Provisions	1,173	872
Total Current Liabilities	27,520	44,343
NON-CURRENT LIABILITIES		
Lease liabilities	12,389	18,205
Provisions	3,665	2,979
Total Non-Current Liabilities	16,054	21,184
Total Liabilities	43,574	65,527
Net Assets	190,859	113,031
CAPITAL AND RESERVES		
Contributed equity	792,942	674,091
Reserves	(23,529)	(12,896)
Accumulated losses	(578,554)	(548,164)
Total Equity	190,859	113,031

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. INTERESTS IN OTHER ENTITIES

The following list contains the particulars of all of the subsidiaries of the Company:

Name of company	Country of Incorporation	% Equity Interest		Principal activity
		2020	2019	
Galaxy Lithium Australia Limited	Australia	100%	100%	Mining of Mt Cattlin spodumene
General Mining Corporation Limited	Australia	100%	100%	Mining of Mt Cattlin spodumene
Galaxy Lithium (Ontario) Inc.	Canada	100%	100%	James Bay exploration
Galaxy Lithium (Canada) Inc.	Canada	100%	100%	James Bay exploration
Galaxy Lithium (Sal de Vida) S.A.	Argentina	100%	100%	Sal de Vida exploration and development
Galaxy Resources International Limited	Hong Kong	100%	100%	Investment holding company
Galaxy Lithium Holdings BV	The Netherlands	100%	100%	Investment holding company
Galaxy Lithium One Inc.	Canada	100%	100%	Investment holding company
Galaxy Lithium One (Québec) Inc.	Canada	-	100%	Amalgamated with Galaxy One Inc. during the year
Galaxy Lithium (Colorado) Inc.	United States	100%	100%	Dormant

All entities utilise the functional currency of the country of incorporation with the exception of Galaxy Lithium (Sal de Vida) S.A. which utilises US dollars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. AUDITOR'S REMUNERATION

The auditor of Galaxy Resources Limited is PricewaterhouseCoopers ("PwC") Australia.

	2020 US\$	2019 US\$
<i>Amounts received or due and receivable by PwC Australia for:</i>		
An audit or review of the financial report of the entity and any other entity in the consolidated group	184,623	167,283
Non-audit services in relation to the entity and any other entity in the consolidated group		
Tax compliance	21,612	15,644
Total	206,235	182,927
<i>Amounts received or due and receivable by related practices of PwC Australia for:</i>		
An audit or review of financial reports of subsidiaries	61,867	100,749
Non-audit services in relation to subsidiaries		
Tax compliance	92,402	61,740
Other Services	19,533	139,215
Total	173,802	301,704
Total auditor's remuneration	380,037	484,631

26. NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

Changes in Accounting Policies

There are no new or amended accounting standards that require Galaxy Resources Limited to change its accounting policies for the 2020 financial year.

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 57 to 102 are in accordance with the Corporations Act 2001 including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the year ended on that date;
- (b) the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in the notes to the financial statements on page 63;
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (d) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 23 will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed of cross guarantee described in note 23.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 December 2020.

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



Martin Rowley
Chairman

Dated in Perth on 25 February 2021.

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report

To the members of Galaxy Resources Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Galaxy Resources Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year then ended, and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2020
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information, and
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

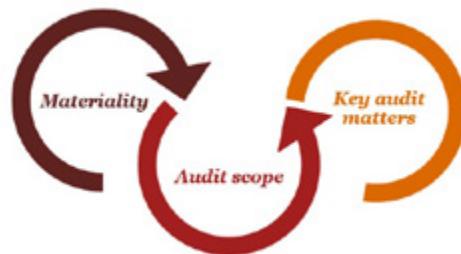
PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The Group owns three major assets located in Western Australia, Argentina and Canada. The Group has a single operating asset, located at Mt Cattlin in Western Australia, which is mining for spodumene concentrate before it is shipped to customers. The Group is progressing the exploration and subsequent development activities in Canada and Argentina. The accounting processes are structured around a Group finance function at its corporate head office in Perth, where we predominantly performed our audit procedures.



Materiality

- For the purpose of our audit we used overall Group materiality of US\$3.8 million which represents approximately 1% of the Group's total assets.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- As the Group only has one of its three key assets operating in commercial production, we chose total assets as the materiality benchmark. In our view, total assets are more reflective of the Group's size and scale given a significant portion of its assets are still in the exploration and development phase. The use of total assets as a benchmark provides a level of materiality which, in our view, is appropriate for the audit having regard to the expectations users of the Group's financial report.
- We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- Our audit procedures were predominantly performed in Perth where many of the corporate and Group operations functions are centralised. We also visited the Mt Cattlin operations during the year.

INDEPENDENT AUDITOR'S REPORT



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment assessment for Mt Cattlin <i>(Refer to note 12)</i></p> <p>The Group performed an assessment for impairment indicators across its cash generating units (CGUs) given this is required by Australian Accounting Standards.</p> <p>During the half year, the Group identified impairment indicators for the Mt Cattlin Cash Generating Unit (CGU), primarily due to a prolonged and further deterioration of current and forecast pricing in the spodumene concentrate market. As a result the Group performed an impairment assessment at the half year ended 30 June 2020 which resulted in an impairment charge of US\$14.2 million.</p> <p>As part of the impairment assessment, the Group made significant judgements about assumptions, such as:</p> <ul style="list-style-type: none">• Spodumene concentrate pricing• reserve and resource estimates and production and processing volumes• operating costs, capital costs for future developments, foreign exchange rates and inflation rates• discount rates <p>At year end, in accordance with Australian Accounting Standards, the Group assessed for further indicators of impairment/impairment reversal for the Mt Cattlin CGU. This assessment indicated that significant judgments and assumptions made at 30 June 2020 remained appropriate in the circumstances and therefore the carrying value of the Mt Cattlin CGU at 31 December 2020 did not require adjustment.</p> <p>This was a key audit matter due to the significance of the Mt Cattlin CGU to the statement of financial position and the judgements and assumptions made in determining whether there were any impairment</p>	<p>We evaluated the Group's assessment of whether there were any indicators of asset impairment at 30 June 2020 and 31 December 2020 for its CGUs, including considering whether there were any further impairment indicators for these CGUs which had not been considered by the Group.</p> <p>We performed the following procedures on the Group's impairment assessment for the Mt Cattlin CGU:</p> <ul style="list-style-type: none">• assessed whether the Mt Cattlin CGU appropriately included all directly attributable assets and liabilities,• considered whether the discounted cash flow model used to estimate the 'fair value less costs of disposal' (the impairment model) was consistent with the basis required by Australian Accounting Standards,• assessed whether forecast cash flows used in the impairment model were consistent with the most recent budgets approved by the directors,• assessed whether forecast cash flows used in the impairment model were appropriate and based on supportable assumptions by:<ul style="list-style-type: none">◦ comparing spodumene concentrate pricing data used in the impairment model to external industry forecasts,◦ comparing the forecasted cash flows to actual cash flows for previous years to assess the accuracy of the Group's forecasting,◦ comparing foreign exchange rate and inflation rate assumptions in the impairment model to current economic forecasts, and◦ assessing the Group's discount rate calculations, including having regard to the inputs utilised in the Group's weighted average cost of capital such as peer company betas, risk free rate and gearing ratios, assisted by PwC valuation experts,


Key audit matter

indicators, and the resulting estimates of the recoverable amount.

How our audit addressed the key audit matter

- performed a sensitivity analysis on the key assumptions utilised in the impairment model,
- performed tests of the mathematical accuracy of the impairment model's calculations on a sample basis, and
- evaluated the adequacy of the disclosures made in note 12 including those regarding key assumptions used in the impairment assessment, in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2020, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the directors' report. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT



Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 13 to 29 of the directors' report for the year ended 31 December 2020.

In our opinion, the remuneration report of Galaxy Resources Limited for the year ended 31 December 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
25 February 2021

For personal use only

ASX ADDITIONAL INFORMATION

ASX ADDITIONAL INFORMATION

The information set out below was current as at 19 March 2021.

Top Twenty Holders of Ordinary Shares

Rank	Name	Units	% Units
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	108,078,582	21.39
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	61,357,813	12.14
3	CITICORP NOMINEES PTY LIMITED	44,059,292	8.72
4	NATIONAL NOMINEES LIMITED	33,333,074	6.60
5	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	10,436,933	2.07
6	BNP PARIBAS NOMS PTY LTD <DRP>	9,621,739	1.90
7	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	6,594,038	1.31
8	CREAT RESOURCES HOLDINGS LIMITED	6,500,000	1.29
9	MR ANTHONY PETER TSE	4,062,043	0.80
10	CITOS SUPER PTY LTD <CITOS PTY LTD SF A/C>	3,800,000	0.75
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,448,877	0.68
12	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	2,727,363	0.54
13	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	2,401,179	0.48
14	JAEGER INVESTMENTS PTY LTD <SHELLCOVE (NSW) A/C>	1,969,712	0.39
15	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,959,668	0.39
16	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	1,938,286	0.38
17	DEVELCO SUPERANNUATION P/L <DEVELCO SUPER FUND A/C>	1,900,001	0.38
18	ROWLEY SUPER INVESTMENTS PTY LTD <ROWLEY FAMILY SUPER A/C>	1,676,719	0.33
19	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	1,519,934	0.30
20	ADEMSA PTY LTD	1,460,347	0.29
TOTAL		308,845,600	61.12

Substantial Shareholders

The names of substantial shareholders as disclosed in substantial shareholding notices given to the Company are:

Name	Number of Ordinary Shares Held	% of issued capital
Ausbil Investment Management Limited	37,917,460	9.26

Range of Shares

Range	Total holders	Units	% Units
1 - 1,000	9,997	5,008,135	0.99
1,001 - 5,000	9,092	23,388,036	4.63
5,001 - 10,000	2,636	19,841,630	3.93
10,001 - 100,000	3,038	82,157,477	16.26
100,001 Over	307	374,889,606	74.19
Total	25,070	505,284,884	100.00

Range of unlisted options exercisable at \$3.66 each on or before 1 May 2021 (issued under Incentive Award Plan)

Range	Total holders	Units	% Units
1 - 1,000	0	0	0.00
1,001 - 5,000	0	0	0.00
5,001 - 10,000	0	0	0.00
10,001 - 100,000	0	0	0.00
100,001 Over	2	500,000	100.00
Total	2	500,000	100.00

Note: 200,000 of these options have not yet vested.

Range of Share Appreciation Rights (issued under Long Term Incentive Plan)

Range	Total holders	Units	% Units
1 - 1,000	0	0	0.00
1,001 - 5,000	0	0	0.00
5,001 - 10,000	0	0	0.00
10,001 - 100,000	1	100,000	11.11
100,001 Over	4	800,000	88.89
Total	5	900,000	100.00

Range of Performance Rights (issued under Incentive Award Plan)

Range	Total holders	Units	% Units
1 - 1,000	0	0	0.00
1,001 - 5,000	4	11,938	0.12
5,001 - 10,000	2	18,472	0.18
10,001 - 100,000	20	508,441	4.96
100,001 Over	18	9,721,482	94.75
Total	44	10,260,333	100.00

Note: 9,398,076 of these Performance Rights have not yet vested.

Voting rights

Galaxy Resources Limited ordinary shares carry voting rights of one vote per share. There are no voting rights attaching to any other class of security.

Unmarketable parcels

	Minimum Parcel Size	Holders	Units
Minimum \$500.00 parcel at \$2.51 per share, being the closing market price on 19 March 2021.	200	1,528	173,460

ASX ADDITIONAL INFORMATION

Restricted and escrowed securities

The Company does not have any restricted securities or securities subject to voluntary escrow on issue.

On-market buy-back

There is no current on-market buy-back.

MINERAL RESOURCES AND ORE RESERVES

The Mineral Resources and Ore Reserves for each of the Company's projects as at 31 December 2020 are detailed below. A summary of the results from the annual review and comparative tables from 31 December 2019 are also provided.

MT CATTLIN

Mt Cattlin Mineral Resource as at 31 December 2020

Category		Tonnage Mt	Grade % Li ₂ O	Grade ppm Ta ₂ O ₅	Contained Metal ('000) t Li ₂ O	Contained metal lbs Ta ₂ O ₅
Measured	In-situ	0.5	1.5	232	7.5	256,000
Indicated	In-situ	4.4	1.5	157	67.3	1,523,000
	Stockpiles	3.0	0.8	123	23.7	814,000
Inferred	In-situ	4.1	1.3	147	53.3	1,329,000
Total		12.0	1.3	149	152.4	3,942,000

Notes: Depleted Mineral Resource – December 2020. Fresh unaltered rock reported at cut-off grade of 0.4% Li₂O. Transitional partly weathered rock reported at cut-off grade of 0.6% Li₂O. The preceding statements of Mineral Resources conforms to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 edition. All tonnages reported are dry metric tonnes. Excludes mineralisation classified as oxide. Minor discrepancies may occur due to rounding to appropriate significant figures.

Mt Cattlin Mineral Resource as at 31 December 2019

Category		Tonnage Mt	Grade % Li ₂ O	Grade ppm Ta ₂ O ₅	Contained Metal ('000) t Li ₂ O	Contained metal lbs Ta ₂ O ₅
Measured	In-situ	1.0	1.4	210	13.6	463,000
Indicated	In-situ	6.2	1.4	167	90.0	2,296,000
	Stockpiles	3.0	0.9	121	27.9	800,000
Inferred	In-situ	4.4	1.3	156	57.2	1,484,000
Total		14.6	1.3	157	188.0	5,043,000

Notes: Depleted Mineral Resource – December 2019. Fresh unaltered rock reported at cut-off grade of 0.4% Li₂O. Transitional partly weathered rock reported at cut-off grade of 0.6% Li₂O. The preceding statements of Mineral Resources conforms to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore reserves (JORC Code) 2012 edition. All tonnages reported are dry metric tonnes. Excludes mineralisation classified as oxide. Minor discrepancies may occur due to rounding to appropriate significant figures.

Mt Cattlin Ore Reserve as at 31 December 2020

Category		Tonnage Mt	Grade % Li ₂ O	Grade ppm Ta ₂ O ₅	Contained metal ('000) t Li ₂ O	Contained metal lbs Ta ₂ O ₅
Proven	In-situ	0.6	1.3	201	7.6	258,000
Probable	In-situ	4.4	1.3	142	58.6	1,367,000
	Stockpiles	3.0	0.8	123	23.7	814,000
Total		8.0	1.1	139	89.9	2,433,000

Notes: Reported at cut-off grade of 0.4 % Li₂O. The preceding statements of Ore Reserves conforms to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 edition. All tonnages reported are dry metric tonnes. Excludes oxide. Transitional mineralisation included at cut-off grade 0.6 % Li₂O. Reported with 17% dilution and 97% mining recovery. Revenue factor US\$650/tonne applied. Minor discrepancies may occur due to rounding to appropriate significant figures.

Mt Cattlin Ore Reserve as at 31 December 2019

Category		Tonnage Mt	Grade % Li ₂ O	Grade ppm Ta ₂ O ₅	Contained metal ('000) t Li ₂ O	Contained metal lbs Ta ₂ O ₅
Proven	In-situ	0.8	1.4	213	11.4	376,000
Probable	In-situ	4.5	1.5	168	68.0	1,667,000
	Stockpiles	3.0	0.9	121	28.0	800,000
Total		8.2	1.3	155	107.0	2,843,000

Notes: Reported at cut-off grade of 0.4 % Li₂O. The preceding statements of Ore Reserves conforms to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 edition. All tonnages reported are dry metric tonnes. Excludes oxide. Transitional mineralisation included at cut-off grade 0.6 % Li₂O. Reported with 0% dilution and 92.5% mining recovery. Revenue factor US\$650/tonne applied. Minor discrepancies may occur due to rounding to appropriate significant figures.

Summary of results of annual review

In 2020, Mt Cattlin Mineral Resources were depleted by mining operations. No additional resource definition drilling occurred during 2020 and estimates are based on Mt Cattlin's Mineral Resource as at 31 December 2019. Galaxy actively maintains reconciliation of in-situ resource depletion (estimated) and reported (actual) metrics, as well as stockpile accumulation, on a monthly and annual basis. Mine plans are reviewed annually for the short term, medium term and life of mine and the life of mine plan is reconciled annually against the Ore Reserve and its material schedule.

The 2020 Mt Cattlin Mineral Resource reconciles with mining depletion, additional localised resource adjustments, production material dispatch and measured stockpile movements. Reconciliation of the resource model has occurred on an annual basis since operations restarted at Mt Cattlin in late 2016, to validate modifying factors of the Ore Reserve estimate and to test the robustness of the Mt Cattlin resource estimate.

In 2020, Mt Cattlin Ore Reserve depleted by 0.25Mt from mining operations and stockpile recovery. This is in line with Galaxy's market-driven strategy to moderate production output and increase the consumption of low-grade stockpiled ore for the year. The Company commissioned an ore sorter circuit at the front end of the plant to upgrade this stockpiled ore by removing the contained basalt. Consumption of a large volume of stockpiled material for the first time in 2020 led to an increased knowledge of the stockpiles. This knowledge plus depletion and new arisings resulted in an adjustment in average grade of Li₂O to 0.8% from 0.9% and a minor upward revision in the grade of Ta₂O₅.

ASX ADDITIONAL INFORMATION

The Ore Reserve estimate is based on the Mt Cattlin 2019 Mineral Resource with the application of revised modifying factors. In the 2020 annual review, modifying factors and mining reconciliation were reviewed by the competent person and reflect the introduction of the optical sorters. Dilution was reconciled to 17% with a mining recovery of 97% of the diluted material, reflecting the current practice of mining to horizontal flitches and benches. The grade estimate of 1.13% Li₂O reflects remaining tonnage on a diluted basis.

The scope of the 2020 annual review also addressed the reported mined material for the 2020 year, the 2021 project mine planning criteria and the JORC (2012) reporting standard.

The estimates of the both Mineral Resources and Ore Reserves set out above reflect the view of the Competent Person. Estimates are prepared independently by Mining People International.

James Bay

Mineral Resource as at 31 December 2019 and 31 December 2020

Category	Tonnage Mt	Grade % Li ₂ O	Contained Metal ('000) t Li ₂ O
Indicated	40.30	1.40	564.2

Notes: Reported at a cut-off grade of 0.62 percent Li₂O inside conceptual pit shells optimized using spodumene concentrate price of US\$905 per tonne containing 6.0% Li₂O, metallurgical and process recovery of 70%, overall mining and processing costs of US\$55 per tonne milled and overall pit slope of 50 degrees. All figures rounded to reflect the relative accuracy of the estimates. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.

Summary of results of annual review

No further Mineral Resource estimation work was undertaken at the James Bay Project during the year and there was no change to the Mineral Resource to 31 December 2020.

Sal de Vida

The Competent Person was engaged to estimate the lithium and potassium resources and reserves in brine for various areas within the Salar de Hombre Muerto basin in accordance with the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (**JORC 2012**). Although the JORC 2012 standards do not address lithium brines specifically in its guidance documents, the Competent Person followed the (Canadian) National Instrument 43-101 guidelines for lithium brines set forth by the Canadian Institute of Mining, Metallurgy and Petroleum (CIM 2012) which the Competent Person considers complies with the intent of the JORC 2012 guidelines with respect to providing reliable and accurate information for the lithium brine deposit in the Salar del Hombre Muerto.

Mineral Resource as at 31 December 2019 and 31 December 2020

Category	Brine Volume (m ³)	Avg. Li (mg/L)	In-situ Li (Tonnes)	Li ₂ CO ₃ Equivalent (Tonnes)	Avg. K (mg/L)	In-situ K (Tonnes)	KCl Equivalent (Tonnes)
Measured	490,000,000	759	369,000	1,964,000	8,126	3,952,000	7,536,000
Indicated	680,000,000	717	485,000	2,583,000	8,051	5,446,000	10,385,000
Inferred	100,000,000	706	71,000	376,000	6,747	676,000	1,289,000
Total	1,300,000,000	732	925,000	4,923,000	7,976	10,073,000	19,210,000

Note: Assumes 500 mg/L Li cut off.

Ore Reserve as at 31 December 2019 and 31 December 2020

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

Notes: Assumes 500 mg/L Li cut off. Total tonnages for the economic Ore Reserve values above account for anticipated leakage and process losses of lithium and potassium. The results above are Proven and Probable Reserves from the Southwest and East well-fields when these percent estimated processing losses are factored in, assuming a continuous average brine extraction rate of 30,000 m³/d. The conversion factor for Lithium to Lithium Carbonate is: x 5.3228. The conversion factor for Potassium to Potassium Chloride is: x 1.907.

Summary of results of annual review

No Mineral Resource or Ore Reserve estimation work was undertaken at the Sal de Vida Project during the year and there was no change to the Mineral Resource or Ore Reserve to 31 December 2020.

Controls & Governances

Galaxy ensures that quoted Mineral Resource and Ore Reserve estimates are subject to internal controls and external review at both Project and Corporate levels. Mineral Resource and Ore Reserves are estimated in accordance with the 2012 edition of the JORC Code.

Galaxy stores and collects exploration data using industry standard software that contains internal validation checks. Exploration samples from drilling have certified mineral standards introduced to the sample stream at set ratios, typically 1 insertion per 20 samples. These are reported as necessary to the relevant Competent Persons to assess both accuracy and precision of the assay data applied to resource estimates. In resource modelling, models are validated by checking drilling and assay against sample composites and both against blocks and block models.

Galaxy engages independent, qualified experts and competent persons, on a commercial fee for service basis, to undertake mineral resource and ore reserve modelling and reporting. Galaxy internally audits and reconciles the resource outcomes independently of the experts to validate both the process and the outcome.

The Company has developed its internal systems and controls to maintain JORC compliance in all external reporting, including the preparation of all reported data by Competent Persons as members of the Australasian Institute of Mining and Metallurgy or a 'Recognised Professional Organisation' (RPO). As set out above, the Mineral Resource and Ore Reserve statements included in this Annual Report were reviewed by suitably qualified Competent Persons (below) prior to their inclusion, in the form and context announced.

ASX ADDITIONAL INFORMATION

Competent Person Statement

The information in this Annual Report that relates to 31 December 2019 and 31 December 2020 Mt Cattlin Mineral Resources and Ore Reserves is based on information compiled by David Billington, B. Eng. (Mining), a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. David Billington is employed by Mining People International. David Billington has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. David Billington consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this Annual Report that relates to the James Bay 31 December 2019 and 31 December 2020 Mineral Resources is based on information compiled by Glen Cole P.Geo., a Competent Person who is a Member of the Association of Professional Geoscientists of the province of Ontario (APGO#1416), a 'Recognised Professional Organisation' (RPO) included in a list that is posted on the ASX website from time to time. Glen Cole is a full-time employee of SRK Canada Inc. Glen Cole has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Glen Cole consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this Annual Report that relates to the Sal de Vida 31 December 2019 and 31 December 2020 Mineral Resources and Ore Reserves is based on information compiled by Michael Rosko, MS PG, a Competent Person who is a Registered Member of the Society for Mining, Metallurgy & Exploration, Inc. (SME), a 'Recognised Professional Organisation' (RPO) included in a list that is posted on the ASX website from time to time. Michael Rosko is a full-time employee of Montgomery & Associates Consultores Limitada. Michael Rosko has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Michael Rosko consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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