

DIRECTORS' REPORT (CONTINUED)
CORPORATE INFORMATION (CONTINUED)

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

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

(a) Appointed on 11 February 2011.

(d) Appointed Alternate on 19 September 2011.

(b) Appointed on 24 February 2011.

(e) Appointed Alternate on 2 December 2011.

(c) Resigned on 2 September 2011.

(f) By invitation.

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

CORPORATE GOVERNANCE STATEMENT

The Board and Corporate Governance

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

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

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

The Role of the Board and the Board Charter

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

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

- charting the direction, strategies and financial objectives of the Company and ensuring appropriate resources are available;

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

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

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

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

Managing Director

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

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

Directors Code of Conduct

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

Board Composition

As at the date of this report the Company has ten Directors: seven Non-Executive Directors including the Chairman, and three Executive Directors.

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

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

Details of the skills, experience and expertise relevant to the position of Director held by each Director in office as at the date of the Annual Report, and the periods of office held by each director, are set out on page 29.

Chairman

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

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

Director Independence

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

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

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

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

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

Directors' Access to Independent Advice

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

Board Meetings

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

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

Board Committees

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

Audit Committee (AC)

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

Kai Cheong Kwan (Appointed Chairman - 7 September 2011)

Craig Leslie Readhead

Robert James Wanless (Appointed Member - 22 December 2011)

David Michael Spratt (Appointed Member - 11 February 2011)

Yuewen Zheng

Ivo John Polovineo (Resigned Chairman and Member - 2 September 2011)

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

The AC's overall role is to assist the Board in fulfilling its responsibilities for the Company's financial reporting and audit, internal control and financial risks.

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

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

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

Remuneration and Nomination Committee (RNC)

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

Craig Leslie Readhead (Chairman)

Kai Cheong Kwan

Robert James Wanless (Appointed Member - 22 December 2011)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

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

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

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

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

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

Risk Management Committee (RMC)

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

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

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

The RMC is responsible for the identification of significant areas of business risk, implementing procedures to manage such risks and developing policies regarding the establishment and maintenance of appropriate ethical standards to:

- Ensure compliance in legal statutory and ethical matters;
- Monitor the business environment;
- Identify business risk areas; and
- Identify business opportunities.

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

- The Company's ongoing risk management program effectively identifies all areas of potential risk;
- Adequate policies and procedures have been designed and implemented to manage identified risks;
- A regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
- Proper remedial action is undertaken to redress areas of weakness.

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

Corporate Reporting

The Managing Director and Chief Financial Officer have made the following certifications to the Board with respect to the 31 December 2011 accounts:

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

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Securities Trading Policy

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

Financial Reporting

Consistent with ASX Governance Principle 4.1, the Company's financial report preparation and approval process for the year ended 31 December 2011 involved both the Managing Director and the Chief Financial Officer providing detailed representations to the Board covering:

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

Indemnities

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

Directors and Senior Executives Performance Evaluation and Remuneration

The Board annually self assess its collective performance, and the performance of individual Directors and of Board committees. The assessment is undertaken using discussions and, where applicable, advice from external consultants.

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

Continuous Disclosure and Shareholder Communications

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

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

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

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

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

Auditors

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

Ethical Standards and Conduct

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

Diversity

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

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CORPORATE GOVERNANCE (CONTINUED)

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

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

The Company provides the following statistics on gender diversity as at 31 December 2011:

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

Corporate Governance Principles and Recommendations

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

Principle No.	Best Practice Principle	Commentary	Galaxy's mechanism for dealing with non compliance
1	Lay solid foundations for management and oversight.	Galaxy complies with this Principle.	Not applicable.
2	Structure the Board to add value.	The Chairman is not considered independent. Messrs Kwan, Spratt and Wanless (Three of Ten Directors) are considered independent.	The Board considers the Board Structure appropriate at this time and is consistent with the Business Activities of the Consolidated Entity.
3	Promote ethical and responsible decision-making.	Galaxy complies with this principle.	Not applicable.
4	Safeguarding integrity in financial reporting.	Galaxy complies with this principle.	Not applicable
5	Make timely and balanced disclosure.	Galaxy complies with this principle.	Not applicable
6	Respect the rights of shareholders.	Galaxy complies with this principle.	Not applicable.
7	Sound systems to recognise and manage risk.	Galaxy complies with this principle.	Not applicable.
8	Remunerate fairly and responsibly.	Galaxy substantially complies with this Principle. Non-Executive Directors have received performance options to provide incentive to grow the Company.	The Board considers that the issue of performance options to Non-Executive Directors appropriate as it aligns the interests of the Non-Executive Directors with Shareholders.

PRINCIPAL ACTIVITIES

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

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

DIVIDENDS

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

OPERATING AND FINANCIAL REVIEW

Operating Results for the Period

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