DIRECTORS' REPORT (CONTINUED)
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 Principles and Practices Manual are reviewed and updated as necessary during the year.

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 Board will continue to review and develop its corporate governance practices and the corporate governance section of the website will be updated with policies and procedures as they are formally adopted by the Company.

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 Company on behalf of Shareholders by whom they are elected and to whom they are accountable. The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of Shareholders.

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:

- overseeing the development of the Company's corporate strategy through constructive engagement with senior executives;
- reviewing and approving strategy plans and performance objectives of the Company consistent with the corporate strategy, and reviewing the assumptions and rationale underlying the strategy plans and performance objectives; and
- monitoring implementation of the strategy plans.

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

- Appointing, removing and monitoring the performance of the Managing Director, Chief Financial Officer and Company Secretary, determining their terms;
- 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 to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial condition and operational results.

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.

DIRECTORS' REPORT (CONTINUED)
CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board Composition
As at the date of this report the Company has eleven Directors: eight 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. All Directors, other than the Managing Director, are required to retire and stand for re-election by Shareholders, every three years. 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 on pages 25-28.

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 Company's Board Charter provides criteria for the assessment of the independence of Directors. A Director may be considered by the Board to be independent where the Director does not meet one or more of the criteria. An independent Director is a Non-Executive Director who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of the Director's unfettered and independent judgement.

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

As a result of these classifications, the Board may not be composed of a majority of independent Directors. 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 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 30.

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

DIRECTORS' REPORT (CONTINUED)
CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Audit Committee (AC)
The AC is comprised of Messrs Polovineo (Chairman), Readhead, Kwan, Spratt and Zheng. 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 30.

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 RNC is comprised of Messrs Readhead (Chairman), Polovineo, Kwan, Spratt and Zheng. 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 RNC meetings is detailed on page 30.

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 RMC is comprised of Messrs Zheng (Chairman), Polovineo, Kwan, Spratt and Readhead. 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 30.

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.

DIRECTORS' REPORT (CONTINUED)
CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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 2010 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.

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 Principle 4.1, the Company's financial report preparation and approval process for the year ended 31 December 2010 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 each Director. 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 its website.

Disclosure and Communication Policy
The Company has established a Disclosure and Communication policy. This policy outlines corporate governance measures adopted by the Company to further its commitments. It seeks to incorporate:

- Principle 5 (Make timely and balanced disclosure) and Principle 6 (Respect the rights of shareholders) of the ASX Corporate Governance Council's: Corporate Governance Principles and Recommendations;
- The principles in Guidance Note 8 - Continuous Disclosure: Listing Rule 3.1 issued by ASX; and
- Disclosure obligations in the ASX Listing Rules.

DIRECTORS' REPORT (CONTINUED)
CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The Company Secretary has primary responsibility for ensuring that the ASX disclosure requirements are met. A copy of of this policy is located on the Company's website.

Shareholders may elect to receive company reports by mail or e-mail.

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.

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 Polovineo, Kwan and Spratt (Three of Eleven Directors) are considered independent.	The Board considers that 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.