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Perth, Australia
27 May 2013

RIGHTS ISSUE PROSPECTUS LAUNCH AND TIMETABLE

1 FOR 1 NON-RENOUNCEABLE PRO RATA OFFER OF SHARES AND FREE ATTACHING OPTIONS TO RAISE APPROXIMATELY \$46.7 MILLION

Overview

As announced to the market on 20 May 2013, Galaxy Resources Limited (ABN 11 071 976 442) (**ASX: GXY**) (**Galaxy** or the **Company**) is pleased to announce that the Company has today launched a \$46.7 million capital raising by way of a one (1) for one (1) non-renounceable pro rata offer to eligible shareholders (**Offer**).

The Offer will involve the issue to eligible shareholders of up to approximately 584,355,501 new ordinary shares (**New Shares**) on the basis of one (1) New Share for every one (1) existing share held at the record date, and up to approximately 876,533,252 free attaching new options (**New Options**) on the basis of three (3) New Options for every two (2) New Shares subscribed for, to raise up to approximately \$46.7 million (before costs of the Offer).

The New Shares offered under the Offer are to be issued at a price of \$0.08 per New Share which represents an approximate 65% discount to the closing price of Galaxy shares on 24 April 2013, being the day the Company's shares last traded on ASX before announcement of the Offer, an approximate 48% discount to the TERP (theoretical ex-rights price) and an approximate 66% discount to Galaxy's 5 day volume weighted average price on the ASX on 24 April 2013.

The minimum subscription under the Offer is \$8 million. The Offer is not underwritten.

The New Shares will rank equally with existing shares and be quoted on the ASX. The New Options will be exercisable at \$0.08 per New Option on or before 31 December 2014. Subject to satisfying the requirements for quotation, the New Options will also be tradeable on ASX, enabling New Option holders to potentially realise value for the New Options through selling them on ASX if they so choose.

Eligible shareholders will be sent a copy of the Prospectus and application form on or around 12 June 2013. An electronic version of the Prospectus will be available on the Galaxy website from today, 27 May 2013.

Patersons Securities Limited (**Patersons**) is the Lead Manager to the Offer and has entered into a lead manager mandate with Galaxy in relation to the Offer.

The Company has resolved to maintain the current voluntary suspension from trading in the Company's securities in place, while it seeks to successfully complete the Offer and balance sheet re-structuring. The Company expects that trading in its securities will recommence shortly after the close of the Offer.

Use of proceeds

The proceeds of the capital raising will be used for Galaxy's working capital which includes:

- corporate working capital (including interest payments);

- Offer costs;
- Sal de Vida Lithium and Potash Brine Project costs; and
- debt reduction.

Oversubscription

Eligible shareholders under the Offer may also apply for New Shares and free attaching New Options in excess of their entitlement (**Additional New Shares**). Any Additional New Shares and free attaching New Options will only be allocated to eligible shareholders as agreed between Galaxy and Patersons in their absolute discretion having regard to circumstances as at the time of the close of the Offer. Any Additional New Shares and free attaching New Options will be limited to those New Shares and free attaching New Options offered to eligible shareholders who do not take up their full entitlement.

Indicative timetable

Item	Date
"Ex" date	30 May 2013
Record Date	7:00pm AEST, 5 June 2013
Dispatch of Prospectus and application form	12 June 2013
Offer opens	12 June 2013
Offer closes	7.00pm AEST, 26 June 2013
New Shares and New Options quoted on a deferred settlement basis	27 June 2013
Allotment and issue of New Shares and New Options	4 July 2013
Dispatch of holding statements for New Shares and New Options	5 July 2013
Normal trading of New Shares and New Options	5 July 2013

Note: Galaxy reserves the right to amend any or all of these events, dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, Galaxy reserves the right to extend the closing dates for the offers, to accept late applications either generally or, in particular cases and to withdraw the offers without prior notice. The commencement of quotation of the New Shares and New Options is subject to confirmation from ASX.

--ENDS--

For more information, please contact:

Corporate

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About Galaxy (ASX: GXY)

Galaxy Resources Ltd ("Galaxy") is an Australian-based global lithium company with lithium production facilities, hard rock mines and brine assets in Australia, China, Canada and Argentina. The Company is a lithium producer listed on the Australian Securities Exchange (Code: GXY) and is a member of the S&P/ASX 300 Index.

Galaxy wholly owns the Jiangsu Lithium Carbonate Plant in China's Jiangsu province. The Jiangsu Plant will eventually produce 17,000 tpa of battery grade lithium carbonate, becoming the largest producer in the Asia Pacific region and the fourth largest in the world.

Galaxy is also advancing plans to develop the Sal de Vida (70%) lithium and potash brine project in Argentina situated in the lithium triangle (where Chile, Argentina and Bolivia meet), which is currently the source of 60% of global lithium production. Sal de Vida has excellent promise as a future low cost brine mine and lithium carbonate processing facility.

The Company owns Mt Cattlin (100%) spodumene project near Ravensthorpe in Western Australia and the James Bay (100%) Lithium Pegmatite Project in Quebec, Canada.

Lithium compounds are used in the manufacture of ceramics, glass, electronics and are an essential cathode material for long life lithium-ion batteries used to power e-bikes and hybrid and electric vehicles. Galaxy is bullish about the global lithium demand outlook and is positioning itself to become a major producer of lithium products.

Caution Regarding Forward Looking Information.

This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or to, or for the account or benefit of, any "U.S. person" (as defined in Regulation S under the U.S. Securities Act of 1933 (the "U.S. Securities Act") ("U.S. Person"). Securities may not be offered or sold in the United States, or for the account or benefit of, or to U.S. Persons unless the securities have been registered under the U.S. Securities Act or an exemption from registration is available. The securities to be offered and sold in the Offer have not been, and will not be, registered under the U.S. Securities Act, and may not be offered or sold in the United States or to, or for the account or benefit of U.S. Persons, unless the securities are registered under the U.S. Securities Act or an exemption from the registration requirements of the U.S. Securities Act is available.

Neither this announcement nor any other documents relating to the Offer may be sent or distributed to persons in the United States or to U.S. Persons or to any persons acting for the account or benefit of U.S. Persons.

The Offer does not constitute an offer, and new securities will not be issued or sold under the offer, in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer, issue or sale. No action has been taken to register or qualify the securities or the new securities or to otherwise permit a public offering of securities or new securities outside Australia. The new securities may only be offered, issued or sold in any jurisdiction under the Offer where such offer, issue or sale is permitted under applicable law.

This announcement may contain "forward-looking statements". The words "forecast", "estimate", "likely", "anticipate", "believe", "expect", "project", "opinion", "predict", "outlook", "guidance", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. You are cautioned not to place undue reliance on forward looking statements. While due care and attention has been used in the preparation of forward-looking statements, forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. There can be no assurance that actual outcomes will not differ materially from forward-looking statements. An investment in the Company's securities is subject to investment and other known and unknown risks, some of which are beyond the control of the Company, including possible delays in repayment and loss of income and principal invested. The Company does not guarantee any particular rate of return or the performance of the Company or the Galaxy Group, nor does it guarantee the repayment of capital from the Company or any particular tax treatment. Eligible shareholders will be entitled to apply for 1 New Share for every 1 share held as at the Record Date. If a Galaxy shareholder has ordinary shares out on loan, the borrower will be regarded as the shareholder for the purposes of determining the entitlement (provided that those borrowed shares have not been on-sold).

No representation or warranty is or will be made by any legal or natural person in relation to the accuracy or completeness of all or part of this announcement, or the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects or returns contained in, or implied by, the information or any part of it. This announcement includes information derived from third party sources that has not been independently verified. To the full extent permitted by law, the Company disclaims any obligation or undertaking to release any updates or revisions to the information contained in this announcement to reflect any change in expectations or assumptions.

Nothing contained in this announcement constitutes investment, legal, tax or other advice. You should make your own assessment and take independent professional advice in relation to the information and any action taken on the basis of the information.

GALAXY RESOURCES LIMITED
ABN 11 071 976 442

PROSPECTUS

For a non-renounceable pro rata offer to Eligible Shareholders of up to approximately 584,355,501 New Shares at an issue price of A\$0.08 or CAD\$0.08 per New Share on the basis of one (1) New Share for every one (1) Existing Share held and 876,533,252 free attaching New Options on the basis of three (3) free attaching New Options for every two (2) New Shares subscribed for and allotted, to raise up to approximately A\$46.7 million before Offer costs.

Completion of the Offer is subject to raising the Minimum Subscription of \$8 million.

LEAD MANAGER

Patersons Securities Limited

ACN 008 896 311

Important Notice

This document is important and should be read in its entirety (including the 'Risk Factors' in **section 8**) before deciding whether to apply for New Securities. If after reading this Prospectus you have any questions about the New Securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The New Securities offered by this Prospectus should be considered speculative.

This document is not for publication or distribution, directly or indirectly, in or into the United States of America (including its territories and possessions, any state of the US and the District of Columbia). This document is not an offer of securities for sale into the United States or to, or for the account or benefit of, US Persons. The securities referred to herein have not been and will not be registered under the US Securities Act of 1933, as amended, and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons. No public offering of securities is being made in the United States.

IMPORTANT NOTES

This Prospectus is dated 27 May 2013 and a copy of this Prospectus was lodged with ASIC on that date. ASIC and ASX take no responsibility for the content of this Prospectus. No New Securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. The Company will apply to ASX for the New Securities to be granted quotation on ASX.

This Prospectus does not constitute an offer in any place in which or to any person to whom it would not be lawful to make such an offer. Refer to **section 4.17** for treatment of overseas shareholders. Applications for New Securities offered pursuant to this Prospectus can only be submitted on an original Application Form which accompanies this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

This Prospectus including each of the documents attached to it and which form part of this Prospectus is important and should be read in its entirety prior to making an investment decision. If you do not fully understand this Prospectus or are in any doubt as to how to deal with it, you should consult your professional adviser.

In particular, it is important that you consider the risk factors (see **section 8** of this Prospectus) that could affect the performance of the Company before making an investment decision.

Investors should note that past Share price performance of the Company provides no guidance to its future Share price performance. Neither the Company nor any other person warrants or guarantees the future performance of the New Securities or any return on any investment made pursuant to this Prospectus.

The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward looking statements. The forward looking statements in this Prospectus are based on the Company's current expectations about future events. They are, however, subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and its Directors, that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward looking statements in this Prospectus. Investors should specifically refer to the 'Risk Factors' in **section 8** of this Prospectus. That section refers to some but not all of the matters that may cause actual results to differ from the position stated in any forward looking statement in this Prospectus.

Cooling-off rights do not apply to a subscription for New Securities under the Offer. This means that you cannot withdraw your Application once it has been submitted except as permitted or required by law. Once the New Securities are issued and quotation is granted by ASX you may sell your New Securities on market.

All references to "\$", "A\$" or "Australian dollar" are to Australian currency. All references to "CAD\$" or "Canadian dollar" are to Canadian currency. All references to "US\$" are to the currency of the United States of America.

The issue price of CAD\$0.08 per New Share is calculated on the issue price of A\$0.08 and the A\$/CAD\$ exchange rate of 0.9998 quoted from the Reserve Bank of Australia as at 24 May 2013.

Some words and expressions used in this Prospectus have defined meanings which are explained in **section 11**.

ELECTRONIC PROSPECTUS

A copy of the Prospectus can be downloaded from the website of the Company at www.galaxylithium.com, or the ASX website. Any person accessing the electronic version of the Prospectus for the purposes of making an investment in the Company must be an Australian, New Zealand or Canadian resident.

The Corporations Act prohibits any person passing onto another person the Application Form unless it is attached to a hard copy of the Prospectus or it accompanies the complete and unaltered version of the Prospectus. Any person may obtain a hard copy of the Prospectus free of charge by contacting the Company.

EXPOSURE PERIOD

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. You should be aware that this examination may result in the identification of deficiencies in this Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act. Applications for Shares under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on applications lodged prior to the expiry of the Exposure Period.

1 LETTER FROM THE CHAIRMAN

27 May 2013

Dear Shareholder,

On behalf of the Board of Galaxy Resources Limited, we would like to provide an update of your Company and its capital raising plans. We have launched a 1 for 1 pro rata entitlement issue at \$0.08 per share to raise up to \$47 million. We believe it is very important to provide you with some context and background to this significant decision and the decisive actions we have taken within the business.

Galaxy's strategic plan has always been to become the preeminent producer of very high grade lithium carbonate to meet the demand of the rapidly growing lithium-ion battery market.

In the last four years, Galaxy's Management and Board have built a global lithium company on four continents by:

- Funding, constructing and commencing operations at the Mt Cattlin spodumene mine in Western Australia on time and budget;
- Funding, constructing and commencing operations of one of the world's largest and most advanced battery grade lithium carbonate plants, in China's Jiangsu province;
- Producing battery grade lithium carbonate that ranks as some of the best quality globally;
- Developing strong relationships within the key markets of China, Japan and Korea;
- Merging with TSX-listed Lithium One Inc. to acquire a low cost brine development project;
- Completing the Definitive Feasibility Study on the Sal de Vida Lithium Brine & Potash Project in Argentina on time and on budget.

Galaxy has taken all of the above projects from feasibility stage, right through construction and development to production and market establishment. No other lithium company has achieved this advanced penetration into the market over such a short space of time. In four years, Galaxy has built a global lithium business on the verge of being operationally cash flow positive (see comments below).

Galaxy's key asset, the Jiangsu Lithium Carbonate Plant, is in production and on schedule to become operationally cash flow positive by Q3 2013, subject to sales and the progress of the ramp-up to full production. The tragic pipeline rupture accident at Jiangsu in late 2012, and subsequent withdrawal of the proposed investment of \$66 million by East China Mineral Exploration & Development Bureau, caused a significant financial and operational setback for the Company, resulting in a temporary shutdown of the Plant, loss of revenue and a considerable recovery process. The Jiangsu Plant is now producing at 60% of design capacity and daily production rates and sales of lithium carbonate continue to increase month by month.

The accident at the Jiangsu Plant, however, has placed a significant burden on our working capital position, and we now require an injection of new equity during this production ramp-up phase.

Galaxy now presents its shareholders with an equitable opportunity to support the Company in this capital raising as we find ourselves in a very exceptional and very challenging period in your Company's history. Given the difficult equity raising environment and therefore the discount being offered, we consider that the appropriate course of action is to offer the equity raising to our 10,000 strong shareholder base, in order to provide the Company with the necessary working capital to achieve its vision of reaching positive cash flow status and becoming a major player in the lithium industry. This will provide existing shareholders with the opportunity to maintain or increase their holding in the Company on attractive terms.

On behalf of the Board of Galaxy, we would like to invite you to participate in the Company's capital raising. The capital raising is a one (1) for one (1) pro-rata entitlement offer (the **Offer**) at an offer price of A\$0.08 or CAD\$0.08¹ per New Share. Applicants will also receive three (3) free attaching New Options for every two (2) New Shares subscribed. Galaxy intends to raise up to approximately \$47 million through the Offer to raise funds for working capital (including interest payments and any repayments of short term financing), to reduce debt levels and a re-structure of the Company's balance sheet. The Offer price of \$0.08 per New Share represents an approximately 65% discount to the closing price of Galaxy Shares on 24 April 2013, being the day the Company's Shares last traded on ASX before announcement of the Offer, an approximately 48% discount to the TERP (theoretical ex-rights price or TERP) and an approximately 66% discount to Galaxy's 5 day volume weighted average price on the ASX on 24 April 2013.

Patersons Securities Limited has been appointed Lead Manager to the Offer. Deutsche Bank has been appointed Corporate Adviser leading debt re-arrangement and non-core asset sale initiatives.

The discount level and free attaching options are necessary in these very difficult financial markets but most importantly, being a pro rata offer, it is offered to give you an opportunity to maintain your level of holding in the Company. If shareholders do not support the Offer, we will unlikely be able to achieve our plans to become cash flow positive. Ultimately, it will call into question the ability of the Company to continue.

We understand the frustrations shareholders are likely to have experienced in recent times and that in order to consider a further investment, will want to know, we have taken significant action.

To strengthen its position Galaxy has, with the assistance of our Corporate Adviser, Deutsche Bank, undertaken a comprehensive strategic review, with the intention of creating a profitable and robust financial structure through cost reduction initiatives, re-scheduling of debt and non-core asset sales to reduce leverage. Corporate costs will be reduced from \$17.6 million in 2012 to \$12.2 million in 2013. The 2012 corporate costs were mainly due to Lithium One-related due diligence and merger activities, the Sal de Vida feasibility study as well as the start-up and commissioning of the Jiangsu Plant. A further \$4.3 million in cost savings is being targeted to bring corporate costs over the next 12 months to around \$7.9 million. Part of the cost reduction initiatives will be a salary cut of 20% for the Managing Director and Board of Directors, and 10-15% for executive management of the Company.

¹ The issue price of CAD\$0.08 per New Share is calculated on the issue price of A\$0.08 and the A\$/CAD\$ exchange rate of 0.9998 quoted from the Reserve Bank of Australia as at 24 May 2013.

The Company currently has loans (\$113 million) with three Chinese banks - China Construction Bank, Industrial and Commercial Bank of China, and Shanghai Pudong Development Bank – all with short term tenor. In addition Galaxy has existing convertible bonds on issue for \$62 million which are subject to investor put options in November 2013 where the holder of the convertible bond has a right to require the Company to repay the face value of the convertible bond. The Company is working on various options to term out its debt maturity profile and restructure the convertible bonds. Longer tenor financing will give the Company time to further establish its business, and better match the liabilities to the cash flow profile. The Company has already implemented initiatives in the past 12 months to cut costs, restructure its balance sheet and to streamline business processes. This included the decision to place the Mt Cattlin spodumene mine on care and maintenance in favour of a more cost effective off take agreement from Talison Lithium.

Successful completion of the Offer will allow the Company to reduce its gearing levels and, along with debt refinancing, allow the Company to re-structure its balance sheet. The Company's key objectives in refinancing debt to better terms and conditions, is to achieve an optimised balance sheet structure that better matches its current stage of business and its growth profile going forward.

This Prospectus includes a shortfall facility allowing shareholders to apply for shares in excess of what their entitlement might actually be and, to the extent that shareholders wish to subscribe for additional shares, we would encourage them to do so. Entitlements are non-renounceable. This means the rights to subscribe for New Securities under the Offer are not transferable and there will be no trading of rights on ASX.

The issue of three (3) free attaching New Options for every two (2) New Shares subscribed for will enable Eligible Shareholders who take-up their Entitlements to benefit in any increase in Galaxy's share price above the New Option exercise price (\$0.08) prior to the New Option expiry date (31 December 2014). Subject to satisfying the requirements for quotation, the New Options will also be tradeable on ASX, enabling New Option holders to realise value for the New Options through selling them on ASX if they so choose.

Shareholders who choose not to take up their entitlement will receive no value in respect of their entitlements and their shareholding in the Company will be diluted.

Galaxy has resolved to maintain the current voluntary suspension from trading in the Company's securities in place, while it seeks to successfully complete the Offer and balance sheet re-structuring. The Company expects that trading in its securities will recommence shortly after the close of the Offer.

Details of the Offer

This Prospectus contains a number of important parts and documents, including:

- key dates;
- more information on the use of proceeds and key risks for you to consider;
- instructions on "How to Apply" setting out how to accept all or part of your Entitlement and apply for Additional New Securities in the Offer if you choose to do so; and
- important legal information.

With this Prospectus, you will also find your Application Form which details your Entitlement and is to be completed in accordance with the instructions provided on the form and the instructions on "How to Apply".

The Offer closes at 7.00pm (AEST) on 26 June 2013. To participate, you need to ensure that your completed Application Form, together with Application Money, is received by no later than 7.00pm (AEST) on 26 June 2013 OR that you have paid your application monies via BPAY® pursuant to the

instructions that are set out on the Application Form by no later than 5.00pm (AEST) on 26 June 2013. Please refer to the instructions on "How to Apply" that accompany this letter for further information.

You should consult your stockbroker, accountant or other independent professional adviser to evaluate whether or not to participate in the Offer. You should also refer to the "Key risks" section of this Prospectus.

If you have any questions, please call the Company Secretary on +61 8 9215 1700 at any time between 8.30am to 5.30pm (AWST), Monday to Friday before the Offer closes.

On behalf of the Board, we thank you for your continued support for Galaxy and encourage you to participate in this investment opportunity.

Yours Sincerely



Craig Readhead
Chairman



Iggy Tan
Managing Director

COMPANY HIGHLIGHTS

- **Global Lithium Producer and Chemical Business** – Galaxy is an Australian-based global lithium producer and chemical company focused on supply of lithium products for the lithium battery industry.
- **Largest Capacity Producer of Battery Grade Lithium Carbonate in Asia** – Galaxy’s key asset is the Jiangsu Lithium Carbonate Plant, one of the first fully automated battery grade lithium carbonate plants in the world and one of the most technically sophisticated, producing consistent quantity and quality product. At full design capacity the Jiangsu Plant will be capable of producing 17,000 tonnes per annum of battery grade lithium carbonate, making it the largest battery grade plant in the world.
- **Jiangsu Capable of Producing EV Grade® (99.9% LC) Lithium Carbonate** – While the Jiangsu Plant is designed to produce 17,000 tonnes per annum of battery grade (99.5% Li₂CO₃ purity), it is also capable of producing a higher specification grade product of 99.9% purity, registered by Galaxy as “EV Grade®”. This product is used specifically in the manufacture of electrolyte solution for lithium batteries. The higher grade product tends to attract a higher price premium and provides the Company with additional marketing options.
- **Continued Ramp-Up of Production and Sales at Jiangsu Plant** – Galaxy continues to ramp-up production of the Jiangsu Plant, and expects the facility to be operationally cashflow positive during the third quarter of the year, subject to sales and ramp-up progress. The Jiangsu Plant is currently producing at 60% of design output and, at current production rates, is already the second largest lithium carbonate plant in China.
- **Strong Sales Growth** – Lithium carbonate product sales are also growing, with current volumes at approximately 575 tonnes per month, generating revenue of about \$3.5 million per month (inclusive of VAT). Galaxy is committed to increasing sales to a range of lithium customers across China, Japan and Korea. Currently, Galaxy’s customers are largely battery cathode manufactures, along with some technical grade customers. Customer acceptance of Galaxy’s products has been very good to date. Sales commenced in mid-2012 and product qualification processes are ongoing with further customers in Asia. Significantly, the Company has commenced sales to the Japanese market – a market that sets the highest standards for product quality.
- **Jiangsu Records Positive Cash Inflows in April** – Jiangsu’s April production totalled 650 tonnes. Average daily production in the month was 28 tonnes per day, representing 60% of the Plant’s design output. April’s figures included three weeks of production and excluded a one week scheduled outage for improvements and modifications. Product sales in April totalled 575 tonnes of battery and technical grade product. Sales revenue was \$3.5 million (including VAT). Production cost for Jiangsu (excluding sunk ore costs) were \$2.5 million for April, which means on a purely cash inflow and outflow basis, the operation generated positive inflows for the month.
- **Battery Grade Lithium Carbonate Business Potential** – Galaxy is well positioned both geographically and strategically, to take advantage of the fast growing lithium battery sector in China. The current price of battery grade (99.5%) lithium carbonate in China ranges from US\$6,800 –US\$7,200 per tonne (inclusive of VAT).² Assuming Jiangsu production and battery grade lithium carbonate sales at full capacity, the Company has the potential to generate revenue of US\$115 million to US\$122 million per annum. The Company expects that the operating costs could range between US\$4,900 to US\$5,300 per tonne of lithium carbonate. There is a potential upside of selling some product at the higher grade of 99.9% lithium

² Source: *Asian Metal Ltd – Lithium Market Report March 2013*.

carbonate, which has a current price range of US\$7,900 to US\$8,250 per tonne (inclusive of VAT).³

- **Strong Demand Growth Expected** – According to a wide range of industry analysts, demand for lithium is expected to grow by up to 200% in the next decade from about 140,000 tonnes per annum (lithium carbonate equivalent LCE) to around 250,000-300,000 LCE tonnes per annum. Galaxy is in a strong position to meet this growth. The Company has also strategically located its production capacity in China, which has proven to be the fastest growing market in the last few years.
- **China's Focus on Renewable Energy** – Galaxy's strategy takes into consideration China's 12th 5-year plan for the country, which focuses on development and uptake of renewable energies and lessening reliance on oil. Lithium has a key role to play in China's plans for a lower carbon economy, including a target for 5 million electric vehicles (**EVs**) on China's roads by 2020⁴, and 50% ownership EVs/hybrids by 2030. Overall, China targets 20% of energy to be from renewable energy sources by 2020.
- **Sal de Vida Definitive Feasibility Study** – Galaxy is advancing plans to develop the Sal de Vida Lithium and Potash Brine Project in Argentina, in which it has a 70% holding. As recently announced on 12 April 2013, the completed Definitive Feasibility Study confirmed robust economics for a low cost, long life lithium and potash project. Potential annual revenues from the Sal de Vida project are in the region of US\$215 million, with operating cash flow before interest and tax of US\$118 million per annum at full production rates. The capital cost estimate was US\$369.2 million, with average operating costs US\$2,200 per tonne (net of potash credits). Galaxy sees Sal de Vida as a future flagship asset for the Company.

³ Source: *Asian Metal Ltd – Lithium Market Report March 2013*.

⁴ Source: "Notice of the China State Council on Issuing the Planning for the Development of the Energy-Saving and New Energy Automobile Industry (2012-2020)" dated 28 June 2012.

MAJOR INVESTMENT RISKS

The Directors have considered and identified in **section 8** of the Prospectus the critical areas of risk associated with investing in the Company pursuant to the Offer. The major investment risks to be considered by potential investors include:

- *Funding Requirements* – If the Company is unable to raise capital (including under this Offer) if and when needed (including through asset divestments), there would be significant uncertainty as to whether the Company could continue as a going concern, which would be likely to have a material adverse effect on the Company and the value of its securities. As at 31 December 2012, the Company had net current liabilities of \$81,479,446. The ability of the Company to continue as a going concern is dependent upon:
 - the success of this capital raising;
 - the ability of the Company to renegotiate or refinance existing Convertible Bonds with existing or new bondholders;
 - the ability to renegotiate or refinance existing banking facilities to obtain extended repayment terms; and
 - the continued ramp up of the Jiangsu Lithium Carbonate volumes to achieve forecast levels of net cash inflows.

Shareholders are referred to the Company's 2012 Annual Financial Report dated 28 March 2013 (in particular, Notes 2(e) and 21 to the Consolidated Financial Statements) for additional information regarding the Company's financial position.

- *Revenues and Cash Flows from Operating Activities* – The Jiangsu Plant is Galaxy's only producing project in the near term. Consequently, any adverse development, delay or difficulty encountered at the Jiangsu Plant, including any failure of the Jiangsu Plant to produce expected amounts or quality of lithium carbonate, its inability to agree prices or sales volumes with customers for lithium carbonate on commercially suitable terms, equipment failure or shortages, its inability to hire and retain suitable personnel and contractors etc. could materially and adversely affect Galaxy's business, results of operations, financial condition and prospects.
- *Jiangsu Plant Operational Risk* – Galaxy's lithium carbonate processing operations at its Jiangsu Plant is subject to a number of operational risks, some of which are beyond its control. These risks include unexpected maintenance, technical problems, industrial accidents, power interruptions and critical equipment failure, including malfunction and breakdown of its processing equipment. Each of these foregoing events could result in temporary or, in severe cases, permanent disruption to its operations, reduced sales, increased costs, significant damage to property or the environment, or the need for Galaxy to incur larger than expected capital expenditure to remedy the situation, any of which may materially and adversely affect its business, results of operations, financial condition and prospects.
- *Fluctuations in Lithium Carbonate Price* – Galaxy expects to derive substantially all of its revenue and operating cash flow from the sale of lithium carbonate. Lithium carbonate prices have been and will continue to be subject to fluctuation as a result of a number of factors beyond Galaxy's control. If realised lithium carbonate prices fall, Galaxy's business, results of operations, financial condition and prospects could be materially adversely affected.

An investment in the Company is not risk free and investors should consider the full detailed risk factors described in **section 8**, together with information contained elsewhere in this Prospectus, before deciding whether to apply for New Securities. Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for New Securities.

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SUMMARY OF IMPORTANT DATES

Lodgement Date	27 May 2013
"Ex" date	30 May 2013
Record date to determine Entitlements	5 June 2013
Prospectus with Application Form dispatched	12 June 2013
Offer opens for receipt of Applications	12 June 2013
Closing date for acceptances	26 June 2013 at 7.00pm (AEST)
New Securities quoted on a deferred settlement basis	27 June 2013
Notify ASX of under subscriptions	1 July 2013
Allotment and issue of New Securities	4 July 2013
Dispatch of shareholding statements	5 July 2013
Trading of New Securities expected to commence	5 July 2013

This timetable is indicative only and subject to change. The Company reserves the right to vary the above dates, subject to the ASX Listing Rules and Corporations Act.

2 OVERVIEW OF GALAXY

2.1 Company Profile

Galaxy is an Australian-based global lithium chemical company focused on supply of lithium products for the lithium battery industry. The Company is listed on the Australian Securities Exchange (Code: GXY) and is a member of the S&P/ASX 300 Index.

Galaxy's portfolio of production and development assets are located across four continents, and comprise chemical processing facilities, as well as hard rock and brine resource projects. In addition to the Company's primary revenue generating asset, the Jiangsu Lithium Carbonate Plant in China (100%), the Company also holds the Sal de Vida Lithium and Potash Brine Project in Argentina (70%), the hard rock James Bay lithium project in Quebec (100%) and the hard rock Mt Cattlin mine and processing plant in Australia (100%).

Galaxy's projects have a combined potential production capacity of 42,000 tonnes per annum of lithium carbonate equivalent (LCE) once Sal de Vida is brought on line and reaches full capacity. This 42,000 tonnes per annum of LCE will be made up of 25,000 tonnes per annum from the Sal de Vida project (assuming maximum production is achieved) and 17,000 tonnes per annum from the Jiangsu Plant (assuming the Plant is operating at full design capacity).

Lithium compounds are used in the manufacture of ceramics, glass, and are an essential ingredient in production of materials such as cathode, separator and electrolyte for long life lithium-ion batteries used to power consumer electronics, energy storage systems, e-bikes, hybrid and electric vehicles. Galaxy is confident about the global lithium demand outlook and is positioning itself to become a major producer of lithium products.

Galaxy's Board comprises industry, financial and corporate professionals, with representation in Australia and China. Galaxy's management team consists of chemical and mining experts and operators with extensive experience in the lithium carbonate industry. Many have worked for major global lithium chemical firms. Galaxy's management team also has significant marketing and technical sales experience across global markets.

Galaxy is well positioned, with its portfolio of resources, to become a leading producer of lithium chemical products to meet future lithium demand increases. It is a reliable and secure source of a number of products that consistently meet the highest quality standards and are competitively priced in the market. Galaxy's Jiangsu Plant is ideally located to access its growing Asia-focused customer base. Its development projects in North and South America give the Company significant potential to widen its lithium resource and product footprint to see it become a global producer of lithium products.

2.2 Galaxy Business and Key Markets

Galaxy's business is focused on the lithium battery sector, which continues to grow strongly from existing applications in consumer electronics, and advancing penetration into sectors such as power tools, electric bicycles, mass energy storage, hybrid and electric vehicles (EVs).

Galaxy's primary focus is on Asian markets, where the lithium battery sector is undergoing some of the strongest growth rates globally. Key markets include the major battery producing regions of China, Korea and Japan. Galaxy's strategy takes into consideration China's 12th 5-year plan for the country, which focuses on development and uptake of renewable energies and lessening reliance on oil. Lithium has a key role to play in China's plans for a lower carbon economy, including a target for 5 million EVs on China's road by

2020⁵, and 50% ownership EV/hybrids by 2030. Overall, China targets 20% of energy to be from renewable energy sources by 2020.

Galaxy is advancing development of its projects and operations – namely the Jiangsu Lithium Carbonate Plant and the Sal de Vida Lithium Brine and Potash Project – ahead of anticipated acceleration in demand for lithium carbonate, as demand for lithium-ion batteries for electronics, electric vehicles and battery storage grows. Development of its projects now, allowing for lead times, means Galaxy will be ideally positioned and ready for the anticipated demand growth for lithium products. This timeframe will allow Galaxy to fully benefit from the potential spike in demand.

In addition, Galaxy has representation in the world's top three lithium battery producing countries - China, Japan and Korea. Galaxy's global partners include the top 13 cathode producers in China, Mitsubishi Corporation (Japan), Korean Resources Corporation (Korea), LG International (Korea) and GS Caltex (Korea).

2.3 Battery Grade Lithium Carbonate Business Potential

The current price of battery grade (99.5%) lithium carbonate in China ranges from US\$6,800–US\$7,200 per tonne (inclusive of VAT)⁶. Assuming Jiangsu production and battery grade lithium carbonate sales at full capacity, the Company has the potential to generate revenue of US\$115 million to US\$122 million per annum. The Company expects operating costs could range between US\$4,900 to US\$5,300 per tonne of lithium carbonate. Sales of higher grade EV Grade[®] lithium carbonate (99.9% purity) offer potential upside. EV Grade[®] has a price range of US\$7,900–US\$8,250 per tonne (inclusive of VAT).⁷

2.4 Key Projects and Operations

Jiangsu Plant

Galaxy's Jiangsu Plant, currently produces three grades of lithium carbonate including Battery Grade, which is of 99.5% purity Li₂CO₃, Technical Grade (99.0% purity) and EV Grade[®] (99.9% purity). The Jiangsu Plant recently achieved the production of lithium carbonate of 99.9% purity, which is used specifically in electrolyte solution in lithium batteries and is registered by Galaxy as EV Grade[®].

Galaxy produces the highest grades of lithium carbonate, which meet the stringent specifications required for battery cathode and lithium battery manufacturers. Battery grade lithium carbonate is used in battery cathode and lithium electrolytes, which are the basic components of a lithium-ion battery. Currently, Galaxy's customers are largely battery cathode manufactures, along with some technical grade customers. Customer acceptance of Galaxy's products has been very good to date. Sales commenced in mid 2012 and product qualification processes are ongoing with further customers in Asia. Significantly, the Company has commenced sales to the stringent Japanese market – a market that sets the highest standards for product quality.

The Jiangsu Plant is one of the first fully-automated battery lithium carbonate plants in the world and one of the most technically sophisticated, producing consistent quantity and quality product. At full design capacity, it will produce 17,000 tonnes per annum of battery grade lithium carbonate making it the largest such producer in the world. The Jiangsu Plant

⁵ Source: "Notice of the China State Council on Issuing the Planning for the Development of the Energy-Saving and New Energy Automobile Industry (2012-2020)" dated 28 June 2012.

⁶ Source: *Asian Metal Ltd – Lithium Market Report March 2013*.

⁷ Source: *Asian Metal Ltd – Lithium Market Report March 2013*.

has been in production since April 2012 and Galaxy is currently building production towards full capacity alongside demands from its customers.

The Jiangsu Plant's automation and subsequent minimal staff numbers provide a major cost advantage compared with other manual lithium carbonate production facilities in China. Galaxy's staff and management teams are highly trained professionals, many of whom have worked for large multinational companies previously.

The location of the Jiangsu Plant in the Zhangjiagang Free Trade Zone (China) is key to its operational capabilities. The Jiangsu Plant is located close to the Yangtze River, a major trade river in China located near Shanghai on the eastern seaboard, and to its end-markets. Galaxy uses a private wharf on the Yangtze River, which has capacity for ocean bulk carriers to unload spodumene feedstock for the Plant from Australia. The Jiangsu Plant is located close to suppliers and next to a 2.4 million tonne sulphuric acid plant, which is a basic ingredient for processing. The Zhangjiagang Free Trade Zone industrial park also includes facilities owned by some of world's top chemical companies like The Dow Chemicals Company, Philips, Wacker Chemie AG, FMC Corporation and Sumitomo Corporation.

The Jiangsu Plant was designed by Hatch Engineering to Australian and world best practice engineering standards. The environmental design of the Plant meets the global and stringent environmental standards. There are 6,000 bulk control inputs that allow the Plant to be monitored and controlled from a two-man control room. The automatic packaging technology allows stringent bag weight control and packaging. The micronizing technology allows the Company to meet the very fine particle size distribution required by battery cathode producers. The onsite laboratory monitors the final product quality and ensures product consistency according to ISO international quality standards.

The Jiangsu Plant and its products have been strategically designed to meet the future standards and requirements of the lithium battery industry for the manufacture of lithium-ion batteries for EVs. The low impurity levels in Galaxy's product mean it will be used to make the highest quality, long life lithium-ion batteries. In 2013, the Plant will continue to build capacity and is expected to become operationally cashflow positive during Q3 2013.

Sal de Vida Lithium and Potash Brine Project⁸

Galaxy is also advancing plans to develop the Sal de Vida Lithium and Potash Brine Project in Argentina, in which it has a 70% holding. Sal de Vida is situated in the renowned 'lithium triangle' at the junction of Argentina, Chile and Bolivia. It is located adjacent to FMC Lithium's El Fenix lithium operation in the Salar del Hombre Muerto, which has been in operation for the last 15 years and, in 2011, produced 16% of global lithium supply.

Sal de Vida's brine chemistry is highly favourable, with high levels of lithium and potash, and low levels of magnesium and sulphate impurities. Sal de Vida has a JORC-compliant Reserve estimate of 1.1 million tonnes of retrievable lithium carbonate equivalent and 4.2 million tonnes of potassium chloride (potash or potassium chloride (KCl)) equivalent. The Sal de Vida project is designed to produce 25,000 TPA (tonnes per year) of lithium carbonate (Li₂CO₃), (technical and battery grade) and 95,000 TPA of potash (96% KCl) byproduct over a 40 year period.

A recently-completed Definitive Feasibility Study on Sal de Vida confirmed robust economics for low cost, long life lithium and potash project. The capital cost estimate US\$369.2 million, with average operating costs US\$2,200/tonne (net of potash credits). Potential annual revenues from Sal de Vida project are in the region of US\$215 million,

⁸ Refer to **section 9.9** for further information regarding the calculation of the Sal de Vida reserve and resource estimates disclosed in this Prospectus.

with operating cash flow before interest and tax of US\$118 million per annum at full production rates. Where applicable, Galaxy will employ some of the same processes and technologies as used at the Jiangsu Plant.

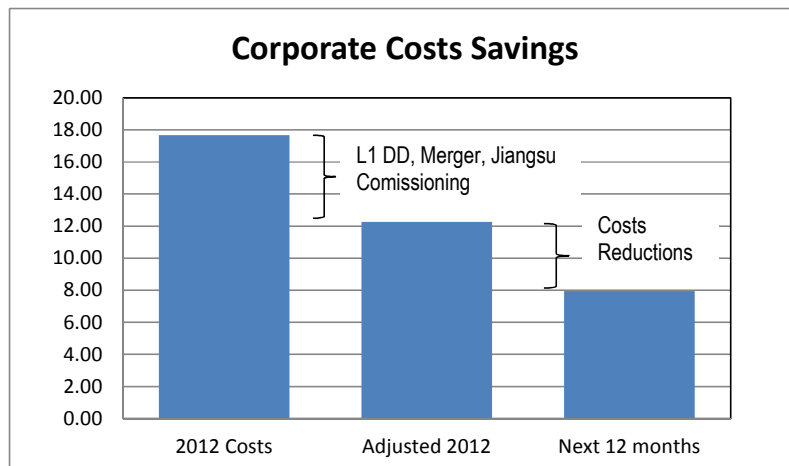
Galaxy's partners in Sal de Vida are KORES, LG International and GS Caltex (**Korea Consortium**). The Korea Consortium has a farm-in option to earn a 30% interest in Sal de Vida. It has earned 4% of the project to date and whether to exercise the option to earn the full 30% interest is currently under consideration. If the option is exercised, the Korea Consortium will provide a project completion guarantee for Galaxy's portion of project debt financing until completion, and use commercially reasonable best efforts to obtain project finance. Galaxy will reserve making a final investment decision on Sal de Vida until the Jiangsu Plant operation is cash flow positive.

2.5 Streamlining and Cost Efficiencies

Like many resource companies, Galaxy has been actively pursuing various cost savings initiatives across its business in the last 12 months including expenditure cuts, the suspension of the Mt Cattlin operation and a general reduction in its staff base.

Corporate costs will be reduced from \$17.6 million in 2012 to \$12.2 million in 2013. The 2012 corporate costs were mainly due to Lithium One-related due diligence and merger activities, Sal de Vida feasibility study as well as the start-up and commissioning of the Jiangsu Plant.

A further \$4.3 million in cost savings is being targeted to bring corporate costs for the next 12 months to around \$7.9 million.



The total corporate costs reduction from 2012 levels is expected to represent around \$9.7 million in savings.

Part of the cost reduction initiatives will be a salary cut of 20% for the Managing Director and Board of Directors, 10-15% for executive management of the Company. The Board has also agreed, subject to shareholder approval, to take the next 6 months salary in shares in order to conserve cash and better align its interests with shareholders. In addition, a 5% saving will be made in employee costs across Australia, China and Argentina.

Other non-corporate cost cutting initiatives (including redundancies at Mt Cattlin) are expected to generate a further \$10.6 million in company wide savings. The Company will shortly be undertaking a general review of its remuneration policies (including long term incentive schemes) to reduce the Company's cash costs and better align employee remuneration with Share value performance. Further cost cuts, including additional

headcount cost reductions, will be considered following continued streamlining of the business, restructuring of the balance sheet and the outcome of the strategic review.

2.6 Balance Sheet

Galaxy is actively engaged with the two existing convertible bond holders (who hold nearly the entire \$62 million worth of bonds) regarding the potential restructuring of the current bonds, including conversion into equity.

The Company currently has loans with three Chinese banks - China Construction Bank, Industrial and Commercial Bank of China, and Shanghai Pudong Development Bank with short term tenor.

The Company is working on various options to term out its debt maturity profile and de-leverage. To this end, the Company has engaged Deutsche Bank to procure new potential convertible bond investors. The Company is also speaking with other lenders directly.

Longer tenor financing will give the Company time to further establish its business, and better match the liabilities to the cash flow profile.

The Company will report progress of these high priority activities as and when restructuring activity progresses. The Company's key objectives in refinancing debt to better terms and conditions, is to achieve an optimised balance sheet structure that better matches its current stage of business and its growth profile going forward.

2.7 Asset Divestments

The Company is seeking additional cash injections through the potential divestment of minority stakes in some of its non-producing assets. The Company has previously received approaches for such stakes in its assets (of >US\$30 million in value), but requires additional time to better assess and pursue any divestment processes, so as to maximise shareholder value. Any funds raised from this will add to working capital and, where possible, be used to reduce debt and reduce future capital outlay.

Following the Offer the Company will pursue asset divestments as a means to securing additional funding, in priority to further equity financing.

3 KEY QUESTIONS AND ANSWERS

This Prospectus contains detailed information on the Offer. The following table sets out summary answers to some basic questions you may have in relation to the Offer. This information is a summary only and should be read in conjunction with the remainder of this Prospectus.

Questions	Answers
The Offer	
What is the Offer?	<p>The Offer is a non-renounceable pro rata offer to Eligible Shareholders of up to approximately 584,355,501 New Shares at an issue price of A\$0.08 or CAD\$0.08 per New Share on the basis of one (1) New Share for every one (1) Existing Share held at the Record Date and three (3) free attaching New Options for every two (2) New Shares subscribed for and allotted under the Offer.</p> <p>Eligible Shareholders resident in Canada (only) may subscribe for New Securities in Canadian dollars.</p> <p>The issue price of CAD\$0.08 per New Share is calculated on the issue price of A\$0.08 and the A\$/CAD\$ exchange rate of 0.9998 quoted from the Reserve Bank of Australia as at 24 May 2013.</p> <p>Each New Option will be exercisable at A\$0.08 on or before 31 December 2014.</p>
What is the purpose of the Offer?	<p>The funds raised by the Offer will be used by the Company for working capital which includes:</p> <ul style="list-style-type: none"> • Corporate working capital (including interest payments and any repayments of short term financing) - \$21.8 million • Offer costs - \$3.2 million • Sal de Vida Lithium and Potash Brine Project costs - \$5 million • Debt reduction - \$16.7 million <p>If the Offer does not achieve Full Subscription (but achieves at least Minimum Subscription), the funds raised (after payment of expenses of the Offer) will be apportioned in the manner set out in the table in section 5.1.</p>
Is the Offer underwritten?	The Offer is not underwritten.

The Offer	
Is there a Minimum Subscription for the Offer?	<p>Yes, the Minimum Subscription under the Offer is \$8 million.</p> <p>No New Securities will be allotted or issued until the Minimum Subscription has been achieved. If the Minimum Subscription is not achieved within 4 months after the date of issue of this Prospectus, the Company will either repay the Application Moneys to the Applicants or issue a supplementary prospectus or replacement prospectus and allow Applicants one month to withdraw their Application and be repaid their Application Moneys.</p>
Who is eligible to participate in the Offer?	<p>Eligible Shareholders are Shareholders or Exchangeable Shareholders who are on the Company's Share Register at 7.00pm (AEST) on the Record Date, with a registered address in Australia, New Zealand or Canada, and are not Ineligible Shareholders.</p>
What is my Entitlement?	<p>Eligible Shareholders have the right to apply for New Shares at an issue price of A\$0.08 or CAD\$0.08 on the basis of one (1) New Share for every one (1) Existing Share held.</p> <p>Eligible Shareholders who subscribe for New Shares will also receive three (3) free attaching New Options for every two (2) New Shares subscribed for and allotted under the Offer.</p> <p>Fractional Entitlements will be rounded up to the nearest whole number of New Securities.</p>
What can I do with my Entitlement?	<p>As an Eligible Shareholder, you may:</p> <ul style="list-style-type: none"> (a) subscribe for all or part of your Entitlement; (b) apply for Additional New Securities; or (c) do nothing, and allow all or part of your Entitlement to lapse.
Can I trade my Entitlement?	<p>The Offer is non-renounceable. This means that the Entitlements of Eligible Shareholders to subscribe for New Securities under this Prospectus are not transferable and there will be no trading of Rights on ASX.</p>
Will the New Securities be tradable on the ASX?	<p>Application will be made within seven days of the date of issue of this Prospectus for the New Shares and New Options to be granted Official Quotation by ASX.</p> <p>Subject to satisfying the requirements for quotation,</p>

	<p>the New Options will be tradeable on ASX, enabling New Option holders to realise value for the New Options through selling them on ASX if they so choose. Trading in the New Options is expected to commence on 5 July 2013.</p>
<p>What are the key risks associated with an investment in the New Securities?</p>	<p>The key risks associated with an investment in the New Securities are summarised in the Investment Highlights and outlined in further detail in section 8 of this Prospectus.</p> <p>Potential investors should read this Prospectus in its entirety and consult their professional advisers before deciding whether to apply for New Securities.</p>
<p>What happens if I take up only part of my Entitlement or if I do nothing?</p>	<p>New Securities of an equivalent number to Entitlements not taken up under the Offer, may be allocated to other Eligible Shareholders who have applied for Additional New Securities in excess of their Entitlement, or may be placed by the Company within the 3 months after the Closing Date in accordance with the Listing Rules.</p> <p>The Offer will lapse in respect of those New Securities which are not acquired by Eligible Shareholders.</p> <p>Eligible Shareholders will not receive any proceeds in respect of any part of their Entitlement that they do not take-up.</p>
<p>Will my shareholding in Galaxy be diluted?</p>	<p>Eligible Shareholders who choose not to take up their Entitlements will receive no benefit and their shareholding in Galaxy will be diluted as a result.</p>
<p>Can I apply for additional New Securities above my Entitlement?</p>	<p>Eligible Shareholders who subscribe for their full Entitlement may apply for Additional New Securities in excess of their Entitlement. However there is also no guarantee that Additional New Securities will be available for issue, or that they will be allocated to all or any of the Eligible Shareholders who have applied for them.</p>
<p>What are the rights and liabilities attaching to the New Securities?</p>	<p>The New Shares will rank equally in all respects with the Company's Existing Shares.</p> <p>Each New Option will entitle the holder to subscribe for one Share at an exercise price of A\$0.08, exercisable on or before 31 December 2014.</p> <p>A summary of the rights and liabilities attaching to the New Shares and New Options are outlined in section 7.</p>

<p>How do I participate in the Offer?</p>	<p>If you are an Eligible Shareholder and wish to take up all or part of your Entitlement (and, if you take up all of your Entitlement, apply for Additional New Securities), you have two options:</p> <p>(a) if paying by cheque or bank draft, complete the Application Form and return the form to the Company, in accordance with the instructions set out in section 6.2, with the appropriate Application Money. The Application Form must be received by the Company no later than 7.00pm (AEST) on 26 June 2013; or</p> <p>(b) if paying by BPAY® (available only through Australian based financial institutions), pay the full Application Money in respect of the New Securities you wish to take up in accordance with the instructions on the Application Form. BPAY® payments must be received by the Company no later than 5.00pm (AEST) on 26 June 2013. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment.</p> <p>Please see section 6 and the Application Form accompanying this Prospectus for further details on how to participate in the Offer.</p>
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4 DETAILS OF THE OFFER

4.1 Overview of the Offer

A non-renounceable pro rata offer to Eligible Shareholders of up to approximately 584,355,501 New Shares at an issue price of A\$0.08 or CAD\$0.08 per New Share on the basis of one (1) New Share for every one (1) Existing Share held as at the Record Date to raise up to approximately A\$46,748,440 before Offer costs.

Eligible Shareholders resident in Canada (only) may subscribe for New Securities in Canadian dollars.

The issue price of CAD\$0.08 per New Share is calculated on the issue price of A\$0.08 and the A\$/CAD\$ exchange rate of 0.9998 quoted from the Reserve Bank of Australia as at 24 May 2013.

Eligible Shareholders will also receive three (3) free attaching New Options (exercisable at A\$0.08 on or before 31 December 2014) for every two (2) New Shares subscribed for and allotted under the Offer.

Up to approximately 584,355,501 New Shares and 876,533,252 New Options will be issued under the Offer. The final number of New Securities issued, and therefore the total amount raised under the Offer, will depend on the extent to which New Securities are applied for under the Offer.

4.2 Underwriting of the Offer

The Offer is not underwritten.

Patersons Securities Limited is the Lead Manager of the Offer.

4.3 Use of Proceeds

Under the Offer, Galaxy is seeking to raise up to approximately \$46.7 million before expenses. Fees and costs related to the Offer are expected to be approximately \$3.2 million (assuming Full Subscription).

The funds raised under the Offer (assuming Full Subscription) will be applied by Galaxy for working capital, which includes:

- Corporate working capital (including interest payments and any repayments of short term financing) - \$21.8 million
- Offer costs - \$3.2 million
- Sal de Vida Lithium and Potash Brine Project costs - \$5 million
- Debt reduction - \$16.7 million

Please refer to **section 5.1** for further details relating to the use of proceeds.

4.4 Capital Structure

The effect of the Offer on the capital structure of Galaxy is set out in the tables below.

Shares	Minimum Subscription	Full Subscription
Prior to the Offer	584,355,501 ⁹	584,355,501 ⁹
New Shares issued pursuant to the Offer	100,000,000	584,355,501
Total	684,355,501	1,168,711,002

Options	Minimum Subscription	Full Subscription
Prior to the Offer	58,850,000 ¹⁰	58,850,000 ¹⁰
New Options issued pursuant to the Offer	150,000,000	876,533,252
Total	208,850,000	935,383,252

4.5 Reasons for using the Offer to raise capital

The Offer structure is seen by Galaxy to provide a number of benefits to Galaxy and Shareholders as a whole, including:

- (a) as the Offer is a pro rata offer, all Eligible Shareholders have the opportunity to participate in the Offer on an equal basis;
- (b) Eligible Shareholders do not have to pay any brokerage or other transaction costs for New Securities acquired under the Offer; and
- (c) Eligible Shareholders who take up their Entitlement in full can apply for New Securities in excess of their Entitlement, subject to the terms and conditions outlined in this Prospectus.

4.6 Entitlement to Offer

Eligible Shareholders who are on the Company's Share Register at 7.00pm (AEST) on the Record Date are eligible to participate in the Offer.

Eligible Shareholders are invited to subscribe for approximately 584,355,501 New Shares and 876,533,252 New Options (assuming no Options are exercised before the Record Date) on the basis of one (1) New Share for every one (1) Existing Share held as at the Record Date at an issue price of A\$0.08 or CAD\$0.08¹¹ each and three (3) free attaching New

⁹ This is made up of 572,505,144 Shares and 11,850,357 Special Voting Shares (which, effectively, may be voted by the holders of the remaining un-exchanged 11,850,357 Exchangeable Shares in Galaxy Canada). These amounts are aggregated on the basis that ASX has confirmed that the voting rights attached to each Special Voting Share along with each Exchangeable Share (and its associated exchange rights and obligations) together upon and from their issue are to be treated as one Share in Galaxy for the purposes of the ASX Listing Rules.

¹⁰ Exercisable at various prices with various vesting and expiry dates.

¹¹ The issue price of CAD\$0.08 per New Share is calculated on the issue price of A\$0.08 and the A\$/CAD\$ exchange rate of 0.9998 quoted from the Reserve Bank of Australia as at 24 May 2013.

Options for every two (2) New Shares subscribed for and allotted, to raise up to approximately A\$46,748,440 before Offer costs.

Fractional Entitlements will be rounded up to the nearest whole number of New Securities. If the Company considers that holdings have been split to take advantage of rounding, the Company reserves the right to aggregate holdings held by associated Eligible Shareholders for the purpose of calculating Entitlements, to the extent permitted by the Listing Rules.

An Application Form setting out your Entitlement to New Securities accompanies this Prospectus.

4.7 Minimum Subscription

Minimum Subscription under the Offer is \$8 million.

No New Securities will be allotted or issued until the Minimum Subscription has been achieved. If the Minimum Subscription is not achieved within 4 months after the date of issue of this Prospectus, the Company will either repay the Application Moneys to the Applicants or issue a supplementary prospectus or replacement prospectus and allow Applicants one month to withdraw their Application and be repaid their Application Moneys.

4.8 Acceptances

This Offer may be accepted in whole or in part prior to 7.00pm (AEST) on 26 June 2013 subject to the rights of the Company to extend the Offer period or close the Offer early.

Instructions for accepting your Entitlement are set out in **section 6** and on the Application Form which accompanies this Prospectus.

4.9 Rights Trading

The Offer is non-renounceable. This means that the Rights of Eligible Shareholders to subscribe for New Securities under this Prospectus are not transferable and there will be no trading of Rights on ASX. Eligible Shareholders who choose not to take up their Rights will receive no benefit and their shareholding in Galaxy will be diluted as a result.

4.10 Applying for Additional New Securities

Eligible Shareholders may, in addition to their Entitlement, apply for additional New Securities regardless of the size of their present holding.

Any Entitlements not taken up may become available as Additional New Securities which may be placed by the Company. It is possible that there will be few or no Additional New Securities available for issue, depending on the level of take up of Entitlements by Eligible Shareholders. There is also no guarantee that in the event Additional New Securities are available for issue, they will be allocated to all or any of the Eligible Shareholders who have applied for them.

It is an express term of the Offer that applicants for Additional New Securities will be bound to accept a lesser number of Additional New Securities allocated to them than applied for, if so allocated. If a lesser number is allocated to them than applied for, excess application money will be refunded without interest. The Company reserves the right to scale back any applications for Additional New Securities in its absolute discretion.

4.11 Placement of Shortfall Securities

A Shortfall will arise if the Applications received for New Securities under the Offer are less than the number of New Securities offered.

The Directors reserve the right, subject to the requirements of the Listing Rules and the Corporations Act, to place any Shortfall Securities within 3 months after the Closing Date. Shortfall Securities will be issued at a price not less than the issue price of New Securities under the Offer.

4.12 Effect of the Offer on the Control of the Company

It is a general rule under section 606 of the Corporations Act that a person cannot acquire a relevant interest in issued voting shares in a company if because of the transaction in relation to securities, a person's voting power in the company increases from 20% or below to more than 20% (or from a starting point that is above 20% and below 90%).

The Company does not believe any shareholders voting power in the Company will exceed 20% following completion of the Offer.

4.13 Effect for Shareholders

The potential effect the Offer will have on the control of the Company's undiluted share capital will depend on the extent to which Shareholders take up their Entitlements under the Offer.

If all Eligible Shareholders take up their Entitlements in full under the Offer, Shareholders' interests in the Company will not change except to the extent that the shareholdings of Ineligible Shareholders have been diluted.

An Eligible Shareholder who takes up their full Entitlement and subscribes for and is allotted New Securities not taken up by Eligible Shareholders in the Offer will increase their interest in the Company.

The interests of Eligible Shareholders who do not take up their Entitlement will be diluted to the extent of their non-participation in the Offer.

4.14 Allotment and Application Money

New Securities will be issued only after all Application Money has been received and ASX has granted permission for the New Securities to be quoted. It is expected that the New Securities will be issued on 4 July 2013 and normal trading of the New Securities on ASX is expected to commence on 5 July 2013.

All Application Money received before New Securities are issued will be held in a special purpose account. After Application Money is refunded (if required) and New Securities are issued to Applicants, the balance of funds in the account plus accrued interest will be received by the Company.

4.15 Quotation

Application will be made within seven days of the date of issue of this Prospectus for the New Securities to be granted Official Quotation by ASX. If such an application is not made within these seven days, or Official Quotation of the New Securities is not granted by ASX within three months of the date of this Prospectus, then the Company will not allot or issue any New Securities and all Application Money received pursuant to this Prospectus will be repaid as soon as practicable, without interest.

If the New Securities are not quoted by ASX within three months after the date of this Prospectus, the Company will refund all Application Money in full.

The fact that ASX may agree to grant Official Quotation of the New Securities is not to be taken in any way as an indication of the merits of the Company or the New Securities. ASX takes no responsibility for the contents of this Prospectus.

Galaxy has resolved to maintain the current voluntary suspension from trading in the Company's securities in place, while it seeks to successfully complete the Offer and balance sheet re-structuring. The Company expects that trading in its securities will recommence (including trading of the New Securities) shortly after the close of the Offer.

4.16 Issue Outside Australia, New Zealand and Canada

This Prospectus does not constitute an offer of New Securities in any jurisdiction where, or to any person to whom, it would not be lawful to issue the Prospectus or make the Offer. No action has been taken to register or qualify the New Securities or the Offer or otherwise to permit an offering of New Securities in any jurisdiction outside Australia, New Zealand and Canada.

This document is not for publication or distribution, directly or indirectly, in or into the United States of America (including its territories and possessions, any state of the US and the District of Columbia). This document is not an offer of securities for sale into the United States or to, or for the account or benefit of, US Persons. The securities referred to herein have not been and will not be registered under the US Shares Act of 1933, as amended, and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons. No public offering of securities is being made in the United States.

4.17 Treatment of Overseas Shareholders

The Offer in this Prospectus is not being extended to any Shareholder, as at the Record Date, whose registered address is not situated in Australia, New Zealand or Canada because of the small number of such Shareholders, and the cost of complying with applicable regulations in jurisdictions outside Australia, New Zealand and Canada. The Prospectus is sent to those Shareholders for information only.

The Offer contained in this Prospectus to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2002* (New Zealand). Members of the public in New Zealand who are not existing Shareholders on the Record Date are not entitled to apply for any New Securities.

The issuance of New Securities pursuant to the Offer to holders of Exchangeable Shares and the Canadian holders of Shares is, in accordance with Canadian securities regulations, exempt from any requirement to prepare and file a prospectus in Canada. The material provided to the holders of Exchangeable Shares and the Canadian holders of Shares relating to the Offer has been prepared in accordance with the laws of Australia and the regulations of the ASX as permitted by Canadian securities regulations. Consequently, the material provided to the holders of Exchangeable Shares and the Canadian holders of Shares has not been reviewed by Canadian securities authorities.

This Prospectus and accompanying Application Form do not, and are not intended to constitute an offer in any place in which, or to any person whom, it would not be lawful to make such an offer. The distribution of this Prospectus and accompanying Application Form may be restricted by law and persons who come into possession of this Prospectus and accompanying Application Form should seek advice and observe those restrictions. Any failure to comply with those restrictions may constitute a violation of applicable securities laws.

Accordingly, accepting Eligible Shareholders resident outside Australia, New Zealand and Canada should first consult their professional advisers as to whether or not governmental or other consents are required, or whether formalities need to be observed to enable them to subscribe for New Securities. The return of a duly completed Application Form will be

taken to constitute a representation and warranty that there has been no breach of such laws and that all necessary approvals and consents have been obtained.

4.18 Market Prices of Existing Shares on ASX

The highest and lowest market sale price of the Existing Shares, which are on the same terms and conditions as the New Shares being offered under this Prospectus, during the three months immediately preceding the lodgment of this Prospectus with ASIC, and the last market sale price on the date before the lodgment date of this Prospectus, are set out below.

	3 months high	3 months low	Last Market Sale Price
Existing Shares	\$0.41 on 13 March 2013	\$0.225 on 18 April 2013	\$0.23 on 24 April 2013

4.19 Opening and Closing Dates

The Offer will open for receipt of acceptances on 12 June 2013 and will close at 7.00pm (AEST) on 26 June 2013, subject to the right of the Company to vary these dates.

4.20 CHESS

The Company participates in the Clearing House Electronic Sub-register System (**CHESS**). ASX Settlement, a wholly owned subsidiary of ASX, operates CHESS in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules.

Under CHESS, applicants will not receive a certificate but will receive a statement of their holding of New Securities.

If you are broker sponsored, ASX Settlement will send you a CHESS statement.

The CHESS statement will set out the number of New Securities issued under this Prospectus, provide details of your holder identification number and give the participation identification number of the sponsor.

If you are registered on the issuer sponsored sub register, your statement will be dispatched by the Company's share registrar and will contain the number of New Securities issued to you under this Prospectus and your security holder reference number.

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

4.21 Rights and Liabilities attaching to the New Securities

The New Shares will rank equally in respect of dividends and in all other respects (e.g. voting, bonus issues) as Existing Shares.

The New Options will be exercisable at A\$0.08 on or before 31 December 2014. Shares issued on exercise of the New Options will rank equally with Shares on issue as at the date of exercise.

A summary of the rights and liabilities attaching to the New Securities is set out in **section 7**.

4.22 Taxation Implications

The Directors do not consider that it is appropriate to give Eligible Shareholders advice regarding the taxation consequences of the Company conducting the Offer or Eligible

Shareholders applying for New Securities under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation positions of Eligible Shareholders. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to Eligible Shareholders in the Offer. Eligible Shareholders should, therefore, consult their own professional tax adviser in connection with the taxation implications of the Offer.

4.23 Notice to nominees, custodians and intermediaries

Nominees, custodians and intermediaries that hold Shares should note that the Offer is available only to Eligible Shareholders. The Company is not required to determine whether or not any registered holder is acting as a nominee or the identity or residence of any beneficial owners of securities. If any nominee, custodian or intermediary is acting on behalf of a foreign person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Offer is compatible with applicable foreign laws.

4.24 Enquiries

Any queries regarding the Offer should be directed to Mr Andrew Meloncelli, Company Secretary at Galaxy on +61 8 9215 1700.

Any queries regarding the Application Form should be directed to the Company’s share registry, on the following contact details:

Australian or New Zealand	Canada
Computershare Investor Services Pty Limited on 1300 557 010 (within Australia) or +61 3 9415 4000 (outside Australia).	Computershare Investor Services Inc on 1800 564 6253 (within Canada and the United States) or +1 514 982 7555 (international direct dial).

You can also contact your stockbroker or professional adviser with any queries in relation to the Offer.

5 PURPOSE AND EFFECT OF THE OFFER

5.1 Purpose of the Offer

The purpose of the Offer is to raise up to approximately \$46.7 million before Offer costs.

The Directors intend to apply the proceeds from the Offer to fund working capital in accordance with the table set out below.

The table assumes that no Options are exercised before the Record Date.

Proceeds of the Offer	Fully Subscribed (million)	Subscribed for \$30 million (million)	Subscribed for \$20 million (million)	Minimum Subscription of \$8 million (million)
Corporate working capital (including interest payments and any repayments of short term financing)	\$21.8	\$22.8	\$18.4	\$7.2
Offer costs	\$3.2	\$2.2	\$1.6	\$0.8
Sal de Vida Lithium and Potash Brine Project costs	\$5	\$5	\$0	\$0
Debt reduction	\$16.7	\$0	\$0	\$0
ESTIMATED TOTAL	\$46.7	\$30	\$20	\$8

In the event that circumstances change or other opportunities arise the Directors reserve the right to vary the proposed use of funds to maximise benefits to Shareholders.

5.2 Amount raised under Offer between Minimum and Full Subscription

If the Company achieves Minimum Subscription but not Full Subscription, the funds raised will be applied in the manner set out in the table in **section 5.1**.

5.3 Effect of the Offer

The effect of the Offer will be (assuming no Options are exercised and Full Subscription is achieved) that:

- (a) cash reserves will initially increase by approximately \$43.5 million (after costs of the Offer);
- (b) the number of Shares on issue will increase from 584,355,501¹² to 1,168,711,002; and
- (c) the number of Options on issue will increase from 58,850,000¹³ to 935,383,252.

¹² This is made up of 572,505,144 Shares and 11,850,357 Special Voting Shares (which, effectively, may be voted by the holders of the remaining un-exchanged 11,850,357 Exchangeable Shares in Galaxy Canada). These amounts are aggregated on the basis that ASX has confirmed that the voting rights attached to each Special Voting Share along with each Exchangeable Share (and its associated exchange rights and obligations) together upon and from their issue are to be treated as one Share in Galaxy for the purposes of the ASX Listing Rules.

¹³ Exercisable at various prices with various vesting and expiry dates.

5.4 Pro-Forma Statement of Financial Position

Set out below is the Consolidated Statement of Financial Position of the Company as at 31 December 2012, and the Consolidated Pro-Forma Statement of Financial Position as at 31 December 2012 (unaudited) on the basis of the assumptions detailed further below. The significant accounting policies upon which the Statement of Financial Position and the Pro-Forma Statement of Financial Position are based are contained in the audit reviewed financial report for financial year ended 31 December 2012.

The Pro-forma Statement of Financial Position presented below illustrates two scenarios:

- (a) where the Offer achieves Minimum Subscription; and
- (b) where the Offer achieves Full Subscription.

Pro-Forma Statement of Financial Position

	31 December 2012 (Audited)	Minimum Subscription		Full Subscription	
		Effect of Offer	31 December 2012 (Pro Forma)	Effect of Offer	31 December 2012 (Pro Forma)
	A\$			A\$	A\$
NON-CURRENT ASSETS					
Property, plant and equipment	169,735,813		169,735,813		169,735,813
Lease prepayment	1,367,025		1,367,025		1,367,025
Exploration and evaluation assets	135,782,341		135,782,341		135,782,341
Available-for-sale financial assets	216,196		216,196		216,196
Other receivables and prepayments	6,285,396		6,285,396		6,285,396
TOTAL NON-CURRENT ASSETS	313,386,771		313,386,771		313,386,771
CURRENT ASSETS					
Other receivables and prepayments	13,175,844		13,175,844		13,175,844
Inventories	18,869,647		18,869,647		18,869,647
Cash and cash equivalents	7,718,527	7,150,000	14,868,527	43,576,440	51,294,967
TOTAL CURRENT ASSETS	39,764,018	7,150,000	46,914,018	43,576,440	83,340,458
TOTAL ASSETS	353,150,789	7,150,000	360,300,789	43,576,440	396,727,229
NON-CURRENT LIABILITIES					
Provisions	5,313,782		5,313,782		5,313,782
Interest bearing liabilities	60,365,464		60,365,464		60,365,464
TOTAL NON-CURRENT LIABILITIES	65,679,246		65,679,246		65,679,246
CURRENT LIABILITIES					
Trade and other payables	13,116,519		13,116,519		13,116,519
Provisions	347,785		347,785		347,785
Interest bearing liabilities	107,779,160		107,779,160		107,779,160
TOTAL CURRENT LIABILITIES	121,243,464		121,243,464		121,243,464
TOTAL LIABILITIES	186,922,710		186,922,710		186,922,710
NET ASSETS	166,228,079	7,150,000	173,378,079	43,576,440	209,804,519
CAPITAL AND RESERVES					
Share capital	407,170,372	7,150,000	414,320,372	43,576,440	450,746,812
Reserves	32,207,502		32,207,502		32,207,502
Accumulated Losses	(305,906,197)		(305,906,197)		(305,906,197)
Non-controlling interests	32,756,402		32,756,402		32,756,402
TOTAL EQUITY	166,228,079	7,150,000	173,378,079	43,576,440	209,804,519

Assumptions for Unaudited Pro-forma Statement of Financial Position

The Pro-Forma Statement of Financial Position has been prepared on the basis that there have been no material movements in the assets and liabilities of the Company between 31 December 2012 and the close of the Offer other than the following:

At Minimum Subscription:

- Increase in cash of \$7.15 million from the Offer (after costs of the Offer).
- The Company issues 100,000,000 New Shares at A\$0.08 or CAD\$0.08¹⁴ per New Share, and 150,000,000 free attaching New Options exercisable at A\$0.08 per New Option on or before 31 December 2014, pursuant to the Offer, to raise approximately \$7.15 million (after costs of the Offer).
- No Options are exercised prior to the Record Date.

At Full Subscription:

- Increase in cash of \$43.5 million from the Offer (after costs of the Offer).
- The Company issues 584,355,501 New Shares at A\$0.08 or CAD\$0.08¹⁵ per New Share, and 876,533,252 free attaching New Options exercisable at A\$0.08 per New Option on or before 31 December 2014, pursuant to the Offer, to raise approximately \$43.5 million (after costs of the Offer).
- No Options are exercised prior to the Record Date.

5.5 Effect on Capital Structure

A comparative table of changes in the capital structure of the Company as a consequence of the Offer is set out below, assuming that the Offer is fully subscribed.

Capital Structure after Completion of Offer

Shares	Minimum Subscription	Full Subscription
Shares quoted on ASX prior to the Offer	584,355,501 ¹⁶	584,355,501 ¹⁶
New Shares to be issued pursuant to the Offer	100,000,000	584,355,501
Total issued Shares	684,355,501	1,168,711,002

¹⁴ The issue price of CAD\$0.08 per New Share is calculated on the issue price of A\$0.08 and the A\$/CAD\$ exchange rate of 0.9998 quoted from the Reserve Bank of Australia as at 24 May 2013.

¹⁵ The issue price of CAD\$0.08 per New Share is calculated on the issue price of A\$0.08 and the A\$/CAD\$ exchange rate of 0.9998 quoted from the Reserve Bank of Australia as at 24 May 2013.

¹⁶ This is made up of 572,505,144 Shares and 11,850,357 Special Voting Shares (which, effectively, may be voted by the holders of the remaining un-exchanged 11,850,357 Exchangeable Shares in Galaxy Canada). These amounts are aggregated on the basis that ASX has confirmed that the voting rights attached to each Special Voting Share along with each Exchangeable Share (and its associated exchange rights and obligations) together upon and from their issue are to be treated as one Share in Galaxy for the purposes of the ASX Listing Rules.

Options	Minimum Subscription	Full Subscription
Unlisted Options exercisable at various prices with various vesting and expiry dates on issue prior to the Offer	11,250,000	11,250,000
Unlisted Options exercisable at \$1.11 with various vesting and expiry dates on issue prior to the Offer	5,500,000	5,500,000
Unlisted Options exercisable at \$0.96 with various vesting and expiry dates on issue prior to the Offer	3,000,000	3,000,000
Unlisted Options exercisable at \$1.16 with various vesting and expiry dates on issue prior to the Offer	16,000,000	16,000,000
Unlisted Options exercisable at \$1.16 with various vesting and expiry dates on issue prior to the Offer	23,100,000	23,100,000
New Options issued pursuant to the Offer	150,000,000	876,533,252
Total issued Options	208,850,000	935,383,252

Convertible Bonds	Minimum Subscription	Full Subscription
Convertible Bonds (unsecured and subordinate)	615	615
Convertible Bonds issued pursuant to the Offer	-	-
Total issued Convertible Bonds	615	615

6 ACTIONS REQUIRED BY ELIGIBLE SHAREHOLDERS

6.1 What you may do

As an Eligible Shareholder, you may:

- subscribe for all or part of your Entitlement (refer **section 6.2**);
- apply for Additional New Securities (refer **section 6.3**); or
- allow all or part of your Entitlement to lapse (refer **section 6.4**).

6.2 To subscribe for all of your Entitlement

If you wish to subscribe for all or part of your Entitlement, complete the accompanying Application Form in accordance with the instructions set out in that form. The Application Form sets out the number of New Securities you are entitled to subscribe for. The completed Application Form must be accompanied by a cheque or bank draft (in Australian currency or Canadian currency, as applicable)¹⁷ made payable to “Galaxy Resources Limited – Trust Account” and crossed “**Not Negotiable**” for the appropriate Application Money calculated at A\$0.08 or CAD\$0.08 (as applicable) per New Share (and free attaching New Options) accepted, drawn on an Australian branch of an Australian bank, or a Canadian branch of a Canadian bank (as applicable), and received by the Company at either of the following addresses by no later than 7.00pm (AEST) on 26 June 2013. The Company will present the cheque or bank draft on or around the day of receipt of the Application Form. If a cheque is not honoured upon its first presentation, the Directors reserve the right to reject the relevant Application Form.

If the amount of your cheque(s) or bank draft(s) for Application Money (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is insufficient to pay for the number of New Securities you have applied for in your Application Form, you may be taken to have applied for such lower number of New Securities as your cleared Application Money will pay for (and to have specified that number of New Securities in your Application Form) or your Application may be rejected.

Applicants:	By hand delivery:	By post:
Australia and New Zealand	Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston Street Abbotsford Victoria 3067	Galaxy Resources Limited c/- Computershare Investor Services Pty Limited GPO Box 505, Melbourne Victoria 3001
Canada	Computershare Investor Services Inc 100 University Avenue, 8th Floor Toronto Ontario M5J 2Y1 Canada	Galaxy Resources Limited c/- Computershare Investor Services Inc 100 University Avenue, 8th Floor Toronto Ontario M5J 2Y1 Canada

Alternatively, if you are paying by BPAY® payment (available only through Australian based financial institutions), you do not need to mail the Application Form. Please refer to your personalised instructions on your Application Form.

It is your responsibility to ensure that your BPAY® payment is received by the Company by no later than 5.00pm (AEST) on 26 June 2013. You should be aware that your financial

¹⁷ Eligible Shareholders resident in Canada (only) may subscribe for New Securities in Canadian dollars.

institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment.

6.3 To apply for Additional New Securities

Eligible Shareholders may, in addition to their Entitlement, apply for Additional New Securities regardless of the size of their present holding. Refer to **section 4.10** if you wish to apply for Additional New Securities.

A single cheque should be used for the Application Money for your Entitlement and the number of Additional New Securities you wish to apply for as stated on the Application Form.

Alternatively, if you are paying by BPAY® (available only through Australian based financial institutions), refer to your personalised instructions on your Application Form. Shareholders who wish to pay by BPAY® must ensure that payment is received by no later than 5.00pm (AEST) on 26 June 2013. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment.

6.4 Entitlements not taken up

If you are an Eligible Shareholder and do not wish to accept all (or part) of your Entitlement, you are not obliged to do anything. You will receive no benefit or New Securities and your Entitlement will be dealt with in accordance with **sections 4.10** and/or **4.11** (as applicable).

If you wish to receive a benefit, you must take action to accept your Entitlement in accordance with the instructions above and on the back of the accompanying Application Form.

The number of Existing Shares you hold as at the Record Date and the rights attached to those Existing Shares will not be affected if you choose not to accept any of your Entitlement.

6.5 Application Form is binding

A completed and lodged Application Form constitutes a binding offer to acquire New Securities on the terms and conditions set out in this Prospectus and, once lodged, cannot be withdrawn. If the Application Form is not completed correctly, it may still be treated as a valid application for New Securities. The Directors' decision whether to treat an acceptance as valid and how to construe, amend or complete the Application Form is final.

By completing and returning your Application Form with the requisite Application Monies, you will be deemed to have represented that you are an Eligible Shareholder. In addition, you will also be deemed to have represented and warranted on behalf of yourself or each person on whose account you are acting that the law in your place of residence and/or where you have been given the Prospectus, does not prohibit you from being given the Prospectus and that you:

- agree to be bound by the terms of the Offer;
- declare that all details and statements in the Application Form are complete and accurate;
- declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Application Form;
- authorise the Company and its respective officers or agents, to do anything on your behalf necessary for the New Securities to be issued to you, including to act

on instructions of the Company's share registry upon using the contact details set out in the Application Form;

- declare that you are the current registered holder of Shares and are an Australian, New Zealand or Canadian resident, and you are not in the United States or a US Person, or acting for the account or benefit of a US Person;
- acknowledge that the information contained in, or accompanying, the Prospectus is not investment or financial product advice or a recommendation that New Securities are suitable for you given your investment objectives, financial situation or particular needs; and
- acknowledge that the New Securities have not, and will not be, registered under the securities laws in any other jurisdictions outside Australia, New Zealand and Canada and accordingly, the New Securities may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of applicable securities laws in particular the US Securities Act.

If you have any queries concerning your entitlement or allocation, please contact:

Mr Andrew Meloncelli – Company Secretary on +61 8 9215 1700 or email ir@galaxylithum.com

or contact your stockbroker or professional adviser

7 RIGHTS AND LIABILITIES ATTACHING TO NEW SECURITIES

The following is a summary of the more significant rights and liabilities attaching to New Securities to be issued under the Offer. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

The rights attaching to the New Securities arise from a combination of the Company's Constitution, the Corporations Act, the ASX Listing Rules and general law. A copy of the Company's Constitution is available for inspection free of charge during business hours at its registered office.

7.1 Rights attaching to New Shares

The New Shares to be issued pursuant to this Prospectus are ordinary shares and will as from their allotment rank equally in all respects with all Existing Shares.

A summary of the rights attaching to the New Shares is set out below.

(a) Voting Rights

Subject to the Constitution of the Company and any rights or restrictions at the time being attached to a class of shares, at a general meeting of the Company every Shareholder present in person, or by proxy, attorney or representative has one vote on a show of hands, and upon a poll, one vote for each Share held by the Shareholder. In the case of an equality of votes, the chairperson does not have a casting vote.

(b) Dividends

Subject to the Corporations Act, the ASX Listing Rules and any rights or restrictions attached to a class of shares, the Company may pay dividends as the Directors resolve but only out of profits of the Company. The Directors may determine the method and time for payment of the dividend.

(c) Winding up

Subject to the Corporations Act, the ASX Listing Rules and any rights or restrictions attached to a class of shares, on a winding up of the Company the liquidator may, with the sanction of a special resolution, divide among the members whole or any part of the property of the Company.

(d) Transfer of Shares

Generally, shares are freely transferable, subject to satisfying the requirements of the ASX Listing Rules, the ASX Settlement Operating Rules and the Corporations Act. The Directors may decline to register any transfer of Shares but only where permitted to do so by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules, or under the Company's Constitution.

(e) Further Increases in Capital

Subject to the Corporations Act, and the ASX Listing Rules, and any rights attached to a class of shares, the Company (under the control of the Directors) may allot and issue shares and grant options over shares, on any terms, at any time and for any consideration, as the Directors resolve.

(f) Variation of Rights

Subject to the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the terms of issue of shares in a particular class, the Company may vary or cancel rights attached to shares in that class by either special resolution passed at a general meeting of the holders of the shares in that class, or with the written consent of the holders of at least 75% of the votes in that class.

(g) Meetings and Notices

Each Shareholder will be entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive notices, accounts and other documents required to be furnished to Shareholders under the Company's Constitution, the Corporations Act and the ASX Listing Rules.

7.2 Rights attaching to New Options

(a) Each New Option will entitle the holder to subscribe for one Share at an exercise price of A\$0.08.

(b) The New Options are exercisable at any time on or before 31 December 2014 wholly or in part by delivering a duly completed form of notice of exercise to the Company, accompanied by payment of the exercise moneys. Options not exercised by that date shall lapse.

(c) All Shares allotted on exercise of the New Options will rank equally in all respects with the Company's then existing Shares.

(d) The New Options are freely transferable.

(e) Application will be made to the ASX for Official Quotation of the New Options not later than 7 business days after the date of this Prospectus. Application will be made to ASX for Official Quotation by ASX of all Shares allotted pursuant to the exercise of New Options not later than 10 business days after the date of allotment.

(f) Holders of New Options may only participate in new issues of securities as holders of Shares if a New Option has been exercised and Shares have been allotted in respect of the New Option before the record date for determining entitlements to the issue. The Company must give notice to the holders of New Options of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules or any waiver from the ASX Listing Rules provided to the Company by ASX.

(g) There will be no change to the exercise price of a New Option or the number of Shares over which a New Option is exercisable in the event of the Company making a pro rata issue of Shares or other securities to the holders of Shares (other than for a Bonus Issue).

- (h) If, from time to time, before the expiry of the New Options the Company makes a pro rata issue of Shares to Shareholders for no consideration (**Bonus Issue**), the number of Shares over which a New Option is exercisable will be increased by the number of Shares which the holder would have received if the New Option had been exercised before the record date for the Bonus Issue (**Bonus Shares**). The Bonus Shares must be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank equally in all respects with the other Shares of that class at the date of issue of the Bonus Shares.
- (i) If, prior to the expiry of any New Options, there is a reorganisation of the issued capital of the Company, the New Options shall be reorganised in the manner set out in and to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

8 RISK FACTORS

8.1 Overview

An investment in the Company is not risk free and investors should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for New Securities. Potential investors should consider that an investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for New Securities.

The following is not intended to be an exhaustive list of the general risk factors relating to an investment in the Company.

The Company's principal activity is lithium production and companies in this industry are subject to many and varied kinds of risks. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practical. Following are the risk factors which the Company believes are most important in the context of the Company's business. It should be noted that this list is not exhaustive and that other risk factors may apply.

8.2 Risk Factors

Ability to continue as a going concern

While completing the audit review of the Company's annual report for the year ended 31 December 2012, the Company's auditor, KPMG noted the following:

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

- *The ability to renegotiate or refinance existing Convertible Bonds with existing or new bondholders;*
- *The ability to refinance or renegotiate or refinance existing banking facilities to obtain extended repayment terms;*
- *The continued ramp up of the Jiangsu lithium carbonate production facility to achieve forecasted levels of net cash inflows; and*
- *The ability to raise sufficient equity in the near term to fund operational funding requirements."*

Funding Requirements

The Company is seeking additional cash injections through the potential divestment of minority stakes in some of its non-producing assets. The Company has previously received approaches for such stakes in its assets (of >US\$30 million in value), but requires additional time to better assess and pursue any divestment processes, so as to maximise shareholder value. Any funds raised from this will add to working capital and, where possible, be used to reduce debt and reduce future capital outlay.

Following the Offer the Company will pursue asset divestments as a means to securing additional funding, in priority to further equity financing.

If asset monetisation through divestments and attempts to secure debt funding are unsuccessful the Company will be required to pursue additional equity capital raisings.

Accordingly, the Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

Balance Sheet

The Company is working on various options to term out its debt maturity profile and de-leverage.

Debt Facilities

The Company currently has loan facilities for A\$113 million with three Chinese banks - China Construction Bank, Industrial and Commercial Bank of China, and Shanghai Pudong Development Bank. There are a series of loan repayments due in 2013 of approximately A\$51 million and in 2014 of approximately A\$33 million.

The Company is looking for opportunities to convert this development debt into longer termed debt more suited to an operational business. Longer tenor (3-5 years) loans will give the Company time to further establish its business, and better match the liabilities to the cash flow profile.

Convertible Bonds

Galaxy has actively engaged with the two existing convertible bond holders (who hold nearly the entire A\$62 million worth of bonds) regarding the potential restructuring of the current bonds. At present, these existing holders have agreed to a temporary deferral of interest payments arising under the convertible bonds, and discussions regarding the restructuring of the convertible bonds and interest arising thereunder are ongoing. The Company has engaged Deutsche Bank to negotiate with existing holders, as well as procure potential new bond investors if required to achieve its overall aim of terming out its debt maturity profile.

Existing convertible bonds, for A\$62 million, are subject to investor put options in November 2013 where the holder of the convertible bond has a right to require the Company to repay the face value of the convertible bond.

The indebtedness caused by the debt facilities and convertible bonds potentially subjects Galaxy to a number of risks, including but not limited to Galaxy's ability to meet its interest and principal payments (some of which are due during the Offer period) and other covenants. If Galaxy cannot refinance or roll over the maturity date of its debt facilities and/or convertible bonds or obtain agreement from its lenders to term out or waive interest and principal payments, this may have a material adverse effect on the Company and it may be unable to continue as a going concern.

Please refer to the Company's 2012 Annual Financial Report dated 28 March 2013 (in particular, Notes 2(e) and 21 to the Consolidated Financial Statements) for further details regarding the Company's debt profile, including details of the scheduled debt facility and convertible bonds principal and interest repayment dates.

Jiangsu Plant Operational Risk

Galaxy's lithium carbonate processing operations at its Jiangsu Plant is subject to a number of operational risks, some of which are beyond its control. These risks include unexpected maintenance, technical problems, industrial accidents, power interruptions and critical equipment failure, including malfunction and breakdown of its processing equipment. Each of these foregoing events could result in temporary or, in severe cases, permanent disruption to its operations, reduced sales, increased costs, significant damage to property or the environment, or the need for Galaxy to incur larger than expected capital expenditure to remedy the situation, any of which may materially and adversely affect its business, results of operations, financial condition and prospects.

Revenues and Cash Flows from Operating Activities

The Jiangsu Plant is Galaxy's only producing project in the near term. Consequently, any adverse development, delay or difficulty encountered at the Jiangsu Plant, including any failure of the Jiangsu Plant to produce expected amounts or quality of lithium carbonate, its inability to agree prices or sales volumes with customers for lithium carbonate on commercially suitable terms, equipment failure or shortages, its inability to hire and retain suitable personnel and contractors, labour disputes or disruptions, permitting or licensing delays, its inability to secure transportation for its products on commercially suitable terms and/or adverse weather could materially and adversely affect Galaxy's business, results of operations, financial condition and prospects.

Fluctuations in Lithium Carbonate Price

Galaxy expects to derive substantially all of its revenue and operating cash flow from the sale of lithium carbonate. Lithium carbonate prices have been and will continue to be subject to fluctuation as a result of a number of factors which are beyond Galaxy's control, including demand for lithium carbonate (particularly as this is affected by demand for lithium-ion batteries), prices agreed by the world's largest producers of lithium carbonate with their customers, production costs and capacities of other producers of lithium carbonate, utilisation rates at existing lithium carbonate production facilities worldwide, the level of competition between lithium carbonate producers, technological advancements in the production of lithium carbonate and end-uses of lithium carbonate or the emergence of an alternative energy source or new technology which reduces demand for lithium-ion batteries. Other macro-economic factors, such as inflation, interest rates, foreign exchange rates, as well as general global economic conditions and political trends, may also impact lithium carbonate prices. If realised lithium carbonate prices fall Galaxy's business, results of operations, financial condition and prospects could be materially adversely affected.

Offtake Framework Agreements

Galaxy has entered into offtake framework agreements for all of its targeted production at its Jiangsu Plant with a number of lithium cathode and lithium-ion battery producers. The obligations to buy and sell under each of these agreements are subject to the parties further agreeing the price of the product to be sold each quarter. None of the offtake agreements include any take or pay obligations.

If Galaxy cannot agree to an appropriate price for its products under these offtake agreements, it may not be able to conclude sales under these agreements and may be required to find alternative buyers. If demand for its products is lower than expected, Galaxy may have to agree to a price that is lower than expected. Galaxy's potential customers may become insolvent or fail to pay for or accept delivery of its product. Galaxy may not be able to produce lithium carbonate with the specifications required under the

offtake agreements. Each of these risks, if realised, could materially and adversely affect Galaxy's business, results of operations, financial condition and prospects.

Supply Agreements

Galaxy has a three year spodumene feedstock contract with Talison Lithium (**Talison**) to supply spodumene feedstock to the Jiangsu Plant. If Talison, for any unforeseen reason, is unable to supply spodumene feedstock this could result in temporary or, in severe cases, permanent disruption to Galaxy's operations, reduced sales or increased costs, any of which may materially and adversely affect Galaxy's business, results of operations, financial condition and prospects.

Operating Costs

The strong commodity cycle over recent years and the large number of projects being developed in the resources industry has led to increased demand for, and worldwide shortages in, skilled personnel, contractors, materials, equipment, spare parts and supplies that are required as critical inputs to Galaxy's existing projects and planned developments. Such shortages may increase the costs of its operations, as a result of inputs becoming more expensive. Furthermore, Galaxy's input costs may be affected by changes in market conditions, government policies, exchange rates and inflation rates, which can be unpredictable and outside its control. There can be no assurance that the Company's present and future projects will continue to have access to adequate power and water supplies in the future or that the prices of such utilities will remain affordable. Any resulting increase in costs or production delays could have a material adverse effect on its business, results of operations, financial condition and prospects and result in the shutdown of an operation.

Foreign Exchange Controls

Under Chinese government regulations, all foreign enterprises must establish a 'current account' and a 'capital account' with a bank authorised to deal in foreign exchange. Currently, foreign enterprises are able to exchange RMB into foreign exchange at designated foreign exchange banks for settlement of 'current account' transactions, which include payment of dividends on the basis of a board resolution authorising the distribution of profits or dividends, without other regulatory approval. Conversion of RMB into foreign currencies for 'capital account transactions' which include the receipt and payment of foreign exchange for loans, contributions and purchase of fixed assets continues to be subject to limitations and requires regulatory approval. However, there can be no assurance that the Company will be able to repatriate funds from China, pay dividends or satisfy foreign exchange requirements in the future.

Exchange Rates

Galaxy is exposed to foreign currency fluctuations with respect to US\$, RMB and A\$. Galaxy's financial results are reported in A\$, Galaxy's operating costs are denominated in A\$ and RMB, its revenue will be denominated mainly in US\$ and RMB and Galaxy's indebtedness is denominated in A\$ and RMB. Therefore, if the RMB fluctuates relative to the A\$, or if the US\$ fluctuates relative to the A\$, Galaxy's business, results of operations, financial condition and prospects may be materially and adversely affected. It is not possible to accurately predict future movements in exchange rates.

Losses

Galaxy has reported losses after income tax since inception and may incur losses after income tax in the future. Galaxy's ability to operate profitably depends upon a number of factors, some of which are beyond Galaxy's direct control. Galaxy's failure to generate

profits may adversely affect the market price of the Galaxy securities, restrict its ability to pay dividends, impair its ability to raise capital, obtain financing, repay debts and expand its business.

Approvals, permits and licenses

The continuation of Galaxy's operations is dependent on certain government permits, approvals and licenses for each of its projects, including environmental and health and safety approvals. Galaxy's ability to carry on its business is therefore subject to its ability to obtain, and various governments' willingness to renew and not revoke, such rights. If Galaxy is not able to obtain or renew such rights, or such rights are revoked, this may have a material and adverse impact on its business, results of operation, financial condition and prospects.

Environmental Risks

Galaxy's business is subject to extensive government environmental regulation, in Australia, the People's Republic of China and Argentina, which set standards regulating certain environmental matters. If a relevant government or regulatory body introduces new, more stringent laws or regulations, or changes existing laws and regulations or the interpretation thereof, Galaxy may face disruptions in operations, increases in operating costs and significant constraints on flexibility and the ability to expand its business operations or to maximise its profitability, which may have an adverse effect on Galaxy's business, results of operations, financial condition and prospects. In addition, failure to comply with regulations may result in significant damages or penalties being imposed on Galaxy, including for certain discharges into the environment, effects on employees, sub-contractors or customers, or as clean-up costs. If significant damages or penalties are imposed on Galaxy this may have a material adverse effect on the Company.

Galaxy is not aware of any existing environmental laws or issues which cannot be resolved or would materially limit Galaxy's ability to proceed with the ongoing mining and processing at its properties. However, Galaxy's operations may involve the use of various chemicals, including those which are designated as hazardous substances. Contamination from hazardous substances, either at its own properties, or other locations for which it may be responsible, may subject Galaxy to liability for the investigation and remediation of contamination, as well as for claims seeking to recover for related property damage, personal injury or damage to natural resources.

Sovereign risk

Galaxy operates in countries outside Australia and there are risks that changes in the legal business environment in those places such as currency controls, price controls, regulatory changes and political changes may adversely affect the value of Galaxy's assets. Some of the jurisdictions in which Galaxy operates have legal systems and laws different to Australia that may lead to uncertainty for Galaxy in enforcing legal and contractual rights in those jurisdictions. If Galaxy is unable to enforce its legal and contractual rights this may have a material adverse effect on the Company.

Competition

Galaxy faces competition in its business. To the extent that there are new entrants or changes in strategy by existing competitors or mine owners, Galaxy may lose market share with consequent adverse effects upon operating and financial performance. Competition in the lithium carbonate industry is based on many factors, including, among others, price, production capacity, grade, quality and brand name. Galaxy intends to sell a majority of the lithium carbonate it produces into the People's Republic of China and therefore mainly

competes with People's Republic of China based producers that convert hard rock lithium mineral concentrates into lithium carbonate and other lithium compounds and chemicals. Some of these competitors may be able to produce lithium carbonate of higher quality or at lower costs, which could affect Galaxy's ability to compete effectively.

Galaxy also competes with producers of lithium compounds and chemicals from brines located in North and South America and the People's Republic of China. Some of these competitors are larger than Galaxy, have greater financial resources and may also benefit from greater economies of scale and operating efficiencies such that their operating costs are lower.

Furthermore, for some of these competitors, lithium products may not be the primary source of income. Galaxy's future success, results of operations, financial condition and prospects will depend on its ability to respond in an effective and timely manner to competitive pressures.

Reliance on key personnel

Galaxy's execution capability is substantially attributable to the role played by a group of its senior management and key employees. Galaxy's future success depends significantly on the full involvement of these key executives and employees and its ability to continue to retain and recruit high-level personnel. Galaxy does not carry key man insurance and the loss of any of its senior management or key employees could significantly impact its operations.

Competition for qualified personnel with relevant expertise is intense due to the scarcity of qualified individuals in the lithium industry. As Galaxy's business activity grows, it will require additional key financial, administrative, mining, marketing, processing and public relations personnel as well as additional operations staff. If Galaxy is not successful in attracting and retaining such key personnel, its business, results of operations, financial condition and prospects could be materially and adversely affected.

Contractors

Galaxy's commercial practice is to sub-contract various services at the Jiangsu Plant. Although sub-contracted services are supervised by Galaxy's employees, such arrangements with contractors carry with them risks associated with the possibility that the contractors may (i) have economic or other interests or goals that are inconsistent with Galaxy's, (ii) take actions contrary to Galaxy's instructions or requests, or (iii) be unable or unwilling to fulfill their obligations. There can be no assurance Galaxy will not experience problems with respect to its contractors in the future or that it will be able to find replacement contractors on similar terms in the event that its existing contractors do not perform as Galaxy expects and this may materially and adversely affect its business, results of operations, financial condition and prospects.

Transport and Infrastructure

Galaxy's operations depend on an uninterrupted flow of materials, supplies, equipment, services and finished products. Due to the geographic location of Galaxy's properties and operations, it is dependent on third parties for the provision of rail, port, marine, shipping and other transportation services. Contractual disputes, demurrage charges, classification of commodity inputs and finish products, rail marine and port capacity issues, availability of vessels and rail cars, weather problems, labour disruptions or other factors could have a material adverse effect on Galaxy's ability to transport (or take delivery of transported) materials according to schedules and contractual commitments and could have a material adverse effect on Galaxy's business, results of operations and financial performance.

Safety Risks and Industrial Accidents

Some of Galaxy's operations are carried out under potentially hazardous conditions. Liabilities might arise in the future as a result of accidents, fatalities or other workforce-related misfortunes, some of which may be beyond Galaxy's control. Any such events could lead to significant expenditure by Galaxy in respect of compensation claims or payments, fines or penalties for failure to comply with health and safety laws or regulations, and insurance may be unavailable or prohibitively expensive. The occurrence of accidents could delay production, increase production costs and result in liability and adverse publicity for Galaxy. These factors could have a material adverse effect on Galaxy's business, results of operations, financial condition and prospects.

Insurance Coverage

Galaxy does not carry insurance to cover all of the risks associated with its business, either because insurance coverage is restricted or prohibitively expensive. Galaxy has taken out insurance within a range of coverage consistent with industry practice in order to cover certain risks associated with Galaxy's business. While Galaxy believes this insurance coverage is commensurate with its business structure and risk profile, Galaxy cannot assure you that its current insurance policies will insure it fully against all risks and losses that may arise in the future. In addition, Galaxy's insurance policies are subject to annual review by its insurers, and Galaxy cannot assure you that it will be able to renew these policies on similar or otherwise acceptable terms, if at all. If Galaxy is to incur a serious uninsured loss or a loss that significantly exceeded the limits of its insurance policies, it could have a material adverse effect on its business, results of operations, financial condition or prospects.

Resource and reserve estimates

Galaxy has made estimates of its resources and reserves based on relevant reporting codes, where required, and judgments based on knowledge, skills and industry experience. However, there is no guarantee that estimates will prove to be accurate. Actual mining results (if any) may materially differ from forecasts and estimates due to further findings and results not previously known or fluctuations in operating costs, exchange rates and metal prices.

Uncertainty of development of projects and exploration

Development activities and exploration are highly speculative, involve many risks and may be unsuccessful. There is no assurance that exploration activities will result in the discovery of valuable mineral resources or profitable mining operations. If a viable deposit is discovered, it can take several years and substantial expenditures from the initial phases of exploration until production commences, during which time the capital cost and economic feasibility may change. Furthermore, actual results upon production may differ significantly from those anticipated at the time of discovery and mineral resources may not ultimately be extracted at a profit. Each of these risks, should they materialise, could materially and adversely affect Galaxy's business, results of operations, financial condition and prospects.

Production estimates

Actual future production (if any) may vary materially from targets and projections of future production for a variety of reasons. There is greater risk that actual production (if any) will vary from estimates of production made for properties under exploration or not yet in production or from operations that are to be expanded.

Land and resource tenure

Galaxy may lose title to, or interests in, its tenements if the conditions to which those tenements are subject are not satisfied or if insufficient funds are available to meet expenditure commitments. In the jurisdictions in which Galaxy operates, both the conduct of operations and the steps involved in acquiring interests involve compliance with numerous procedures and formalities. It is not always possible to comply with, or obtain waivers from, all such requirements and it is not always clear whether requirements have been properly completed, or that it is possible or practical to obtain evidence of compliance.

Further, it is possible that tenements in which Galaxy has an interest in may be subject to a native title claim. If native title rights do exist in respect of a tenement, the ability of Galaxy to gain access to that tenement may be adversely affected.

Current and pending litigation

In common with other enterprises in the minerals and mining industry, Galaxy is currently subject to a number of existing and potential litigation claims, however these are not expected to result in material penalties.

Economic conditions

Adverse changes in economic conditions such as interest rates, exchange rates, inflation, government policy, international economic conditions and employment rates amongst others are outside Galaxy's control and have the potential to have an adverse impact on Galaxy and its operations.

Stock market fluctuations

There are risks associated with any investment in a company listed on the ASX. The value of Galaxy securities may rise above or below the current Share price depending on the financial and operating performance of Galaxy and external factors over which Galaxy and the Directors have no control.

These external factors include:

- economic conditions in Australia and overseas which may have a negative impact on equity capital markets;
- changing investor sentiment in the local and international stock markets;
- changes in domestic or international fiscal, monetary, regulatory and other government policies; and
- developments and general conditions in the markets in which Galaxy proposes to operate and which may impact on the future value and pricing of shares.

It should be noted that there is no guarantee that the New Securities will trade at or above the Offer price.

9 ADDITIONAL INFORMATION

9.1 Continuous Disclosure Obligations

The Company is a "disclosing entity" (as defined in section 111 AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities. The New Shares and New Options which will be issued pursuant to this Prospectus are in the same class as, or are options to acquire, Shares that have been quoted on the official list of the ASX during the 12 months prior to the issue of this Prospectus.

This Prospectus is a "transaction specific prospectus" to which the special content rules under section 713 of the Corporations Act apply. That provision allows the issue of a more concise prospectus in relation to an offer of securities in a class which has been continuously quoted by ASX in the three months prior to the date of the prospectus, and options over such continuously quoted securities. In general terms "transaction specific prospectuses" are only required to contain information in relation to the effect of the issue of New Securities on the Company and the rights attaching to the New Securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the financial statements of the Company for the financial year ended 31 December 2012 being the last financial statements for a financial year, of the Company lodged with the ASIC before the issue of this Prospectus; and

- (ii) the half-year financial report of the Company for the half-year ended 30 June 2012, being the half-year financial report of the Company lodged with the ASIC after lodgement of the financial statements referred to in paragraph (i) above and before the issue of this Prospectus; and
- (iii) any documents used to notify ASX of information relating to the Company in the period from lodgement of the financial statements referred to in paragraph (i) above until the issue of the Prospectus in accordance with the Listing Rules as referred to in section 674(1) of the Corporations Act.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The Company has lodged the following announcements with ASX since the lodgement of the 2012 audited financial statements:

Date	Description of Announcement
24 May 2013	Galaxy Rights Issue Presentation
23 May 2013	Appendix 3B – Exchangeable Shares
20 May 2013	Voluntary Suspension Update
20 May 2013	Chairmans Letter to Shareholders and Funding Update
14 May 2013	Appendix 3B – Exchangeable Shares
10 May 2013	Maiden Reserve Estimate at Sal De Vida - Clarification
10 May 2013	Jiangsu April Production Update
7 May 2013	Final Director's Interest Notice x 4
6 May 2013	Voluntary Suspension Extension
1 May 2013	Galaxy Board Changes
1 May 2013	Quarterly Activities and Cashflow Report – March 2013
30 April 2013	Notice of Annual General Meeting and Proxy Form
30 April 2013	Suspension from Official Quotation
26 April 2013	Trading halt and request
17 April 2013	Jiangsu Production Update
12 April 2013	DFS Support Low Cost, Long Life Lithium and Potash Operation
10 April 2013	Galaxy delivers Maiden Reserve estimate at Sal De Vida
4 April 2013	Production Increases at Galaxy's Jiangsu Plant

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

9.2 Material Contracts

The following is a summary of the significant terms of the material agreements which relate to the business of the Company.

Lead Manager Mandate

By a mandate letter between the Company and Patersons Securities Limited (**Patersons**) dated 16 May 2013 (**Mandate**), Patersons has agreed to act as Corporate Advisor and Lead Manager to the Offer.

Patersons will be entitled to be paid the following fees in connection with its engagement:

- (a) Corporate Advisory Fee of \$250,000;
- (b) Subscription Fee of 5% of the total amount raised under the Offer or sold as Shortfall under the Offer; and
- (c) Management Fee of 1% of the total amount raised under the Offer.

Patersons will also receive payment of reasonable costs and expenses incurred by it in connection with the Offer.

Patersons may terminate the Mandate at any time by giving the Company two business days' notice in writing of its intention to do so, or if one or more of the following events occur in its sole and absolute opinion:

- (a) the Australian equity capital market conditions and/or ASX trading conditions are such that they are not, in the bona fide judgement of Patersons, conducive to the successful completion of the Mandate or other events beyond the control of Patersons are so material and adverse as to make it impracticable or inadvisable to proceed with the Offer on the terms and in the manner contemplated;
- (b) the Company's credit providers withdraw financial accommodation, rescind waivers already given, vary the terms and condition of any facility or behave in a manner which is likely to have an adverse effect on the success of the Offer or the final position of the Company;
- (c) there is a material adverse effect including any adverse change in the assets, liabilities, financial position or prospects of the Company as disclosed publicly and/or to Patersons, other than for the costs incurred by the Company in relation to the Offer;
- (d) there is a false or misleading statement in the material or information supplied to Patersons or included in the presentation materials or a material omission in the material supplied to Patersons or included in the presentation materials;
- (e) any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or the international financial markets or any material adverse change occurs in national or international political, financial or economic conditions, in each case the effect of which is that, it is impracticable to market the Offer or to enforce any contract to issue and allot the New Shares or that the success of the Offer is likely to be adversely affected;
- (f) there is introduced, or there is a public announcement of a proposal to introduce, into the parliament of Australia or any state of Australia, a new law, or the Reserve Bank of Australia, any federal or state authority of Australia adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Mandate), any of which does or is likely

to prohibit or regulate financial institutions or credit providers, capital issues or stock markets;

- (g) ASX gives formal or informal notice that the New Securities will not be admitted to trading on the official list of ASX;
- (h) ASX announces that the Shares in the Company will be delisted, removed from quotation, or withdrawn from admission to trading status;
- (i) default by the Company of any term of the Mandate;
- (j) any of the warranties or representations by the Company in the Mandate are or become materially untrue;
- (k) a director or proposed director of the Company is charged with an indictable offence or any director or proposed director of the Company is disqualified from managing a corporation under the Corporations Act;
- (l) ASIC issues, or threatens to issue, a proceeding, hearing or investigation in relation to the Offer;
- (m) any government agency (including ASIC) commences any public action, hearing or investigation against the Company or any of its directors in their capacity as a director of the Company or announces that it intends to take such action;
- (n) all of the conditions precedent to the Mandate have not been, or will not in Patersons' sole and absolute opinion be, satisfied, or waived by Patersons, prior to 30 June 2013 or such later date agreed by Patersons in writing.

In the event the Company terminates the Mandate, or Patersons terminates the Mandate for cause following the happening of any of the above events, Patersons will be entitled to receive the Corporate Advisory Fee set out above.

The Mandate also contains a number of indemnities, representations and warranties from the Company to Patersons that are considered customary and usual for an agreement of its type. The Mandate otherwise contains additional terms and conditions considered customary and usual for an agreement of its type.

9.3 Directors' Interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgment of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the issue of New Securities pursuant to this Prospectus; or
- (c) the issue of New Securities pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or issue of New Securities pursuant to this Prospectus.

Directors' direct and indirect interests in securities of the Company at the date of this Prospectus are:

Name	Securities
Craig Readhead	4,543,388 Shares 500,000 Unlisted Options exercisable at \$0.60 with various vesting and expiry dates 500,000 Unlisted Options exercisable at \$0.96 with various vesting and expiry dates 1,500,000 Unlisted Options exercisable at \$1.16 with various vesting and expiry dates.
Ignatius Tan	312,500 Shares 2,500,000 Unlisted Options exercisable at \$0.60 with various vesting and expiry dates 2,000,000 Unlisted Options exercisable at \$0.96 with various vesting and expiry dates 6,000,000 Unlisted Options exercisable at \$1.16 with various vesting and expiry dates.
Anthony Tse	1,000,000 Unlisted Options exercisable at \$1.16 with various vesting and expiry dates
Xiaojian Ren	37,584,912 Shares 1,500,000 Unlisted Options exercisable at \$1.16 with various vesting and expiry dates
Robert Wanless	1,948,493 Shares 1,250,000 Unlisted Options exercisable at \$0.60 with various expiry dates 500,000 Unlisted Options exercisable at \$0.96 with various vesting and expiry dates 1,000,000 Unlisted Options exercisable at \$1.16 with various vesting and expiry dates
Kai Cheong Kwan	1,000,000 Unlisted Options exercisable at \$1.16 with various vesting and expiry dates

The Constitution of the Company provides that the Directors may be paid for their services as Directors. Non-executive directors may only be paid a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting, to be divided among the non-executive directors and in default of agreement then in equal shares.

In the period from May 2011 to April 2013 (inclusive), \$2,392,833 (excluding GST where applicable) has been paid by the Company by way of remuneration for services provided by all Directors, companies associated with the Directors or their associates in their capacity as Directors, employees, consultants or advisers. Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way

limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

9.4 Interests and Consents of Experts and Advisers

The following parties have given (and not before the date of this document withdrawn) their consent to be named in this document in the form and context in which they are named:

- Patersons Securities Limited, in the capacity of lead manager to the Offer; and
- Allion Legal, in its capacity as solicitors to the Company.

Each of Patersons Securities Limited and Allion Legal has not:

- authorised or caused the issue of this Prospectus;
- made, or purported to have made, any statement in this Prospectus or on which a statement in this Prospectus is based except as set out in this section; or
- assumed the responsibility for any part of this Prospectus except as set out in this section and to the maximum extent permitted by law, expressly disclaims responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Patersons Securities Limited was not involved in the preparation of any part of this Prospectus.

Other than as set out below or elsewhere in this Prospectus, all persons named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation of or distribution of this Prospectus do not have, and have not had in the two years before the date of this Prospectus, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the offer of New Securities pursuant to this Prospectus; or
- the offer of New Securities pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) and no other benefit has been given or agreed to be given to any of those persons for services provided by those persons in connection with the formation or promotion of the Company or the offer of New Securities pursuant to this Prospectus.

Allion Legal¹⁸ is entitled to be paid \$30,000 for advice and assistance in relation to certain aspects of this Prospectus, and in relation to application for quotation of the New Securities on ASX. In addition, Allion Legal has been paid \$1,110,100 (exclusive of GST) for the provision of professional services to the Company in the two years prior to the date of this Prospectus.

Patersons Securities Limited is acting as lead manager to the Offer and for this is entitled to be paid the fees set out in **section 9.2**.

¹⁸

Mr Craig Readhead, Chairman of Galaxy, is a Director and Principal of Allion Legal.

9.5 Estimated Expenses of Offer

The estimated expenses of the Offer (assuming Full Subscription) are approximately \$3.2 million including fees payable to the Lead Manager, the Company's solicitors, ASIC, ASX and printing costs.

9.6 Litigation

As at the date of this Prospectus, the Company is not involved in any material legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

9.7 Competent Person Statement

The information in this Prospectus that relates to Mineral Resources is based on information compiled by Michael J Rosko who is a full time employee of Montgomery & Associates Consultores Limitada (**M&A**). M&A have been engaged by Galaxy to prepare the documentation for Sal de Vida Project in Salar de Hombre Muerto, Argentina. Mr Rosko is a SME Registered Member of the Society of Mining, Metallurgy and Exploration Inc, a 'Recognised Professional Organisation' (RPO) included in a list promulgated by ASX. Mr Rosko has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Mr Rosko consents to the inclusion in this Prospectus of the matters based on his information in the form and context in which it appears. Mr Rosko verifies that the information in this Prospectus is based on and fairly and accurately reflects in the form and context in which it appears, the information in Mr Rosko's supporting documentation relating to Ore Reserves.

9.8 Privacy Act

If you complete an application for New Securities, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your New Securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules. You should note that if you do not provide the information required on the application for New Securities, the Company may not be able to accept or process your application.

9.9 Sal De Vida reserve and resource estimates

Galaxy wishes to provide the following further information regarding the metal equivalents reported in this Prospectus regarding the Sal De Vida reserve and resource estimates (as first disclosed to ASX on 10 April 2013).

Calculating the Reserve

The method used for the reserve calculation is different to the methodology used in calculating the resource which consisted of: characterisation of the mineral grade dissolved in the brines and characterisation of the host aquifer drainable porosity that contains the resources. The resource calculation estimates the total amount of brine, and therefore lithium and potassium in storage that could be theoretically drained in the entire mining concession. The reserve calculation focuses on the potential for retrieval of lithium and potassium via well field pumping in selected areas where pumping at relatively large rates has been demonstrated. Because the brine is a mobile fluid, it is necessary to utilize a calibrated numerical groundwater flow model, respective of fluid density, to project future well field production and projected future brine grade. This method is recommended in the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Best Practice Guidelines for Resource and Reserve Estimation for Lithium Brines (2012) and Montgomery & Associates Consultores Limitada (M&A) considers this to be the most appropriate technique to calculate the lithium and potassium reserve in the Salar de Hombre basin.

The numerical groundwater flow model projections were used to calculate total lithium and potassium to be extracted from the proposed Southwest and East well fields for a period of 40 years. The model projections indicate that each of the proposed well fields will be able to produce a reliable quantity of brine at an average annual rate of 30,000 m³/d (about 350 L/s). The average grade at start-up is expected to be about 810 mg/L of lithium and 9,100 mg/L of potassium. The average grade after 40 years of pumping is projected to be 590 mg/L of lithium and 6,700 mg/L of potassium due to projected dilution from brackish water.

Reserve Estimation

Total tonnages for the economic reserve values provided in **Table 1** account for anticipated leakage and process losses of lithium and potassium. **Table 1** gives results of the 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.

Table 1 – Probable and Proven Reserve Statement April 2013

Reserve Category	Time Period (Years)	Tonnes Li	Tonnes Equivalent Li ₂ CO ₃	Tonnes K	Tonnes Equivalent KCl
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	1,130,000	2,201,000	4,197,000

Note: Assumes 500 mg/L Li cut off

The following information is provided in accordance with ASX Company Update 03/07 relating to the Reporting of Metal Equivalents.

- (1) Table 1 summarises the laboratory analytical results for each element reported in the reserve estimate at the commencement and termination of the 30 day pump test:

Location	Southwest Well Field: SVWW11_10		East Well Field: SVWW11_13	
	Lithium	Potassium	Lithium	Potassium
Day 1	750mg/L	8171mg/L	783mg/L	8462mg/L
Day 30	850mg/L	8363mg/L	764mg/L	8519mg/L
30 Day Mean	840mg/L	8351mg/L	776mg/L	8590mg/L

- (2) The assumed commodity prices and metal recoveries (assuming process losses and leakages) used in modeling the reserve estimates were:

Variable	Base Case	Value
Li₂CO₃ Price	US\$/Tonne	6223
KCl Price (ex Guemes, Argentina)	US\$/Tonne	450
Li Recovery to Li₂CO₃*	% w/w	68.7
K Recovery to KCl*	% w/w	65

*Calculated recovery derived from the measurement of evaporation process losses and leakage and applied prior to conversion to the end products.

- (3) The percentage loss and final recovery values from the solar ponds at the end of the evaporation cycle was determined by chemical and engineering consultants with long experience in large-scale brine projects in the lithium triangle, using data acquired from 2 years of ongoing chemical and metallurgical tests at both laboratory and pilot-scale both on and off-site (including the production of Lithium Carbonate). The recoveries are similar to those reported by other companies in their evaporation pond trials on brine salars in the lithium triangle.
- (4) Galaxy believes that all elements reported as metal equivalents in the reserve estimate have a reasonable potential to be recovered.
- (5) Galaxy's reserve is reported in both Lithium and Potassium and the products which Galaxy intends to produce at the Sal de Vida project, Lithium Carbonate and Potassium Chloride (Potash). The conversion factor for Lithium to Lithium Carbonate is: x 5.3228. The conversion factor for Potassium to Potassium Chloride is: x 1.907. Because the elements of lithium and potassium are not by themselves the ultimate saleable product, reporting as metal equivalents was done to allow for a better understanding of the projected monetary value of the brine. To date, other brine projects have also reported their resource and reserve calculations in these equivalents.

9.10 Directors' Consent

Each Director has consented to the lodgement of this Prospectus with the ASIC.

Signed on behalf of the Directors pursuant to a resolution of the Board.

A handwritten signature in black ink, appearing to read "Readhead". The signature is written in a cursive, somewhat stylized font.

Craig Readhead
Chairman

Directors

Craig Readhead
Non-Executive Chairman

Ignatius Tan
Managing Director

Anthony Tse
Executive Director

Xiaojian Ren
Non-Executive Director

Robert Wanless
Independent Non-Executive Director

Kai Cheong Kwan
Independent Non-Executive Director

Executive Officers

John Sobolewski
Chief Financial Officer

Andrew Meloncelli
Company Secretary

Registered Office and Principal Place of Business

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

Telephone: +61 8 9215 1700
Facsimile: + 61 8 9215 1799
Web: www.galaxylithium.com
Email: ir@galaxylithium.com

ASX Code: GXY
ABN: 11 071 976 442

Share Registry

Australia
Computershare Investor Services Pty Limited*
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000 Australia
Telephone
1300 557 010 (within Australia)
+ 61 3 9415 5000 (outside Australia)
Fax: + 61 8 9323 2033
Website: www.computershare.com

Canada
Computershare Investor Services Inc*
100 University Avenue, 8th Floor
Toronto Ontario M5J 2Y1 Canada
Telephone
1800 564 6253 (within Canada and the United States)
+1 514 982 7555 (international direct dial)
Fax: +1 866 249 7775
Website: www.computershare.com

Lead Manager

Patersons Securities Limited
Level 32, Exchange Plaza
2 The Esplanade
Perth WA 6000

Auditors

KPMG*
Chartered Accountants
235 St Georges Terrace
Perth WA 6000 Australia

Legal Advisers

Australia
Allion Legal Pty Ltd
Level 2, 50 Kings Park Road
West Perth WA 6005 Australia

Canada
Fasken Martineau DuMoulin LLP*
The Stock Exchange Tower
Suite 3700
Montréal Quebec H4Z 1E9 Canada

*This entity has not been involved in the preparation of this Prospectus and has not consented to being named in the Prospectus. Its name is included for information purposes only.

11 GLOSSARY

A\$, \$ and dollars means Australian dollars, unless otherwise stated.

Additional New Securities means New Securities in addition to an Eligible Shareholder's Entitlement for which an Eligible Shareholder makes an Application.

AEST means Australian Eastern Standard Time.

Application means an application for New Securities pursuant to the Application Form.

Application Form means the Entitlement and Acceptance Form attached to or accompanying this Prospectus.

Application Money means the money received from Eligible Shareholders in respect of their Application (in Australian currency or Canadian currency, as applicable).

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or the market operated by that entity, as the context requires.

ASX Settlement means ASX Settlement Pty Ltd (ABN 49 008 504 532).

ASX Settlement Operating Rules means the settlement rules of ASX Settlement.

AWST means Australian Western Standard Time.

Board means the board of Directors.

CHESS means ASX Clearing House Electronic Sub-register System.

Closing Date means 7.00pm (AEST) on 26 June 2013, or such other date as may be determined by the Directors under this Prospectus.

Company or **Galaxy** means Galaxy Resources Limited (ABN 11 071 976 442).

Constitution means the Company's Constitution as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means directors of the Company at the date of this Prospectus and **Directors** has a corresponding meaning.

Eligible Shareholder means a Shareholder or Exchangeable Shareholder on the Record Date who:

- (a) has a registered address in Australia, New Zealand or Canada;
- (a) is not in the United States and is not a US Person and is not acting for the account or benefit of a US Person; and
- (b) is eligible under all applicable securities laws to receive an offer under the Offer.

Entitlement or **Right** means an Eligible Shareholder's entitlement to subscribe for New Securities offered by this Prospectus.

Exchangeable Share means one exchangeable share in the capital of Galaxy Canada issued in conjunction with the Merger and each of which has the economic equivalent rights as one Share.

Exchangeable Shareholder means the holder of an outstanding Exchangeable Share.

Existing Share means a fully paid ordinary share in the capital of the Company.

Exposure Period means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by ASIC by not more than 7 days pursuant to section 727(3) of the Corporations Act.

Full Subscription means the maximum amount to be raised under the Offer, being the sum of \$46,748,440 (assuming no existing Options are exercised prior to the Record Date).

Galaxy Canada means Galaxy Lithium One Inc., a corporation incorporated under the Business Corporations Act (Québec).

Galaxy SPVS means Galaxy Lithium One (Québec) Inc., a corporation incorporated under the Business Corporations Act (Québec).

Ineligible Shareholder means a Shareholder that is not an Eligible Shareholder.

LC means Li_2CO_3 .

Listing Rules or **ASX Listing Rules** means the official listing rules of the ASX.

Lithium One means Galaxy Lithium (Ontario) Inc. (formerly Lithium One Inc), a corporation incorporated under the laws of Ontario, Canada.

Merger means the merger between Galaxy and Lithium One completed on 4 July 2012 pursuant to a plan of arrangement under the Business Corporations Act (Ontario), involving Galaxy, Galaxy Canada, Galaxy SPVS, Lithium One and the Lithium One securityholders on the terms and conditions set out in the plan of arrangement whereby Galaxy acquired indirectly through Galaxy Canada all of the issued and outstanding shares, convertible notes, warrants and options of Lithium One.

Minimum Subscription means the minimum amount to be raised under the Offer, being the sum of \$8 million.

New Option means an Option, to be listed on ASX, exercisable at A\$0.08 on or before 31 December 2014, to be issued at the ratio of three (3) New Options for every two (2) New Shares subscribed for and allotted under the Offer.

New Securities or **Securities** means the New Shares and New Options to be issued under the Offer.

New Share means a fully paid ordinary share in the capital of the Company to be issued under this Prospectus.

Offer means the offer to Eligible Shareholders of up to approximately 584,355,501 New Shares at an issue price of A\$0.08 or CAD\$0.08¹⁹ per New Share on the basis of one (1) New Share for every one (1) Existing Share held on the Record Date and three (3) free attaching New Options for every two (2) New Shares subscribed for and allotted under the Offer.

Official Quotation means official quotation on ASX.

Option means an option to subscribe for a Share.

Prospectus means the prospectus constituted by this document.

Record Date means 7.00pm (AEST) on 5 June 2013.

Share means a fully paid ordinary share in the capital of the Company.

¹⁹

The issue price of CAD\$0.08 per New Share is calculated on the issue price of A\$0.08 and the A\$/CAD\$ exchange rate of 0.9998 quoted from the Reserve Bank of Australia as at 24 May 2013.

Shareholder means the holder of a Share.

Shortfall will occur if the Company does not hold successful valid Applications for all the New Securities offered by the Company under this Prospectus by the Closing Date.

Shortfall Securities means New Securities equivalent to the number of New Securities not taken up by Eligible Shareholders, together with New Securities that would have been offered to Ineligible Shareholders if they had been eligible to participate in the Offer.

Special Voting Share means the special voting shares of the Company issued in conjunction with the Merger and held by the Trustee for the benefit of the Exchangeable Shareholders.

Trustee means Computershare Trust Company of Canada, the trustee under the voting and exchange trust agreement between the Company, Galaxy Canada and the Trustee dated 3 July 2012.

US Person has the meaning given to that term in Regulation S under the US Securities Act.

US Securities Act means the United States Securities Act of 1933, as amended.

VAT means China Value Added Tax.