



Galaxy Resources Limited

ABN 11 071 976 442

("Galaxy" or "Company")

**Notice of Annual General Meeting, Explanatory Statement and
Proxy Form**

**Annual General Meeting to be held
at 2.00pm (AWST) on Thursday 12 May 2011
at the Celtic Club Inc, 48 Ord Street, West Perth, WA, 6005**

This Notice of Annual General Meeting, Explanatory Statement and Proxy Form should be read in its entirety. If shareholders have any questions in relation to the matters in this Document, please contact the Company Secretary, Mr Andrew Meloncelli on + 61 8 9215 1700 or ir@galaxylithium.com, your accountant, solicitor or other professional adviser.

CORPORATE DIRECTORY

Directors

C L Readhead (Non-Executive Chairman and Director)
I K S Tan (Managing Director)
A P Tse (Executive Director)
C B F Whitfield (Executive Director)
Y Zheng (Non-Executive Director)
X Ren (Non-Executive Director)
R J Wanless (Non-Executive Director)
S Wu (Non-Executive Director)
I J Polovineo (Independent Non-Executive Director)
K C Kwan (Independent Non-Executive Director)
D M Spratt (Independent Non-Executive Director)

Company Secretaries

A L Meloncelli
E W Y Wong (Hong Kong)

Registered office and principal place of business

Level 2, 16 Ord Street
West Perth Western Australia 6005
Australia
Phone: + 61 8 9215 1700
Fax: + 61 8 9215 1799
Emails: reception@galaxylithium.com (General Enquiries)
ir@galaxylithium.com (Investor Relations and Media Enquiries)
Website: www.galaxylithium.com

Share registry

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth Western Australia 6000
Australia
Phone: 1300 557 010 (within Australia)
Phone: + 61 3 9415 5000 (outside Australia)
Fax: + 61 8 9323 2033
Website: www.computershare.com

Auditor of the Company

KPMG Chartered Accountants
235 St Georges Terrace
Perth Western Australia 6000
Australia
Phone: + 61 8 9263 7171
Fax: + 61 8 9263 7129

Australian Business Number

11 071 976 442

Stock Exchange Listing

ASX: GXY

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at 2.00pm (AWST) on Thursday 12 May 2011 at the Celtic Club Inc, 48 Ord Street, West Perth, WA, 6005.

Ordinary business

Financial Statements and Reports – 1 January 2010 to 31 December 2010

To receive and consider the Annual Financial Report, together with the directors' and Auditor's Reports for the year ended 31 December 2010.

1. Adoption of Remuneration Report

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution** in accordance with section 250R (2) of the Corporations Act:

"That the Remuneration Report in the 31 December 2010 Annual Report of the Company be adopted."

2. Re-Election of Craig Readhead as a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That Craig Readhead, who retires by rotation in accordance with rule 10.3 of the constitution of the Company, and being eligible, offers himself for re-election, is hereby re-elected as a director of the Company."

3. Election of Ivo Polovineo as a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That Ivo Polovineo, having been appointed by the directors as an additional director of the Company on 20 July 2010 in accordance with rule 10.7 of the constitution of the Company, and being eligible, offers himself for election, is hereby elected as a director of the Company."

4. Election of K C Kwan as a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That K C Kwan, having been appointed by the directors as an additional director of the Company on 13 October 2010 in accordance with rule 10.7 of the constitution of the Company, and being eligible, offers himself for election, is hereby elected as a director of the Company."

5. Election of Xiaojian Ren as a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That Xiaojian Ren, having been appointed by the directors as an additional director of the Company on 13 October 2010 in accordance with rule 10.7 of the constitution of the Company, and being eligible, offers himself for election, is hereby elected as a director of the Company."

6. Election of Anthony Tse as a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That Anthony Tse, having been appointed by the directors as an additional director of the Company on 13 October 2010 in accordance with rule 10.7 of the constitution of the Company, and being eligible, offers himself for election, is hereby elected as a director of the Company."

7. Election of Charles Whitfield as a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That Charles Whitfield, having been appointed by the directors as an additional director of the Company on 13 October 2010 in accordance with rule 10.7 of the constitution of the Company, and being eligible, offers himself for election, is hereby elected as a director of the Company.”

8. Election of Michael Spratt as a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That Michael Spratt, having been appointed by the directors as an additional director of the Company on 11 February 2011 in accordance with rule 10.7 of the constitution of the Company, and being eligible, offers himself for election, is hereby elected as a director of the Company.”

9. Election of Shaoqing Wu as a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That Shaoqing Wu, having been appointed by the directors as an additional director of the Company on 24 February 2011 in accordance with rule 10.7 of the constitution of the Company, and being eligible, offers himself for election, is hereby elected as a director of the Company.”

10. Approval of share issue

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That shareholders approve the issue and allotment of up to 197 million fully paid ordinary shares in the capital of the Company as described in the Explanatory Statement.”

On 22 December 2010 at a general meeting of the Company, shareholders passed a resolution (resolution 4) to approve an offer of shares to be made in conjunction with the Company listing on the Stock Exchange of Hong Kong.

As announced to the ASX on 14 March 2011, the proposed listing in Hong Kong was postponed until further notice due to unfavourable financial market conditions.

The previous shareholder approval to undertake the proposed issue of shares in conjunction with the Hong Kong listing will expire on 22 April 2011 (please refer to the Company's ASX announcement dated 7 February 2011).

The Company now seeks a further approval under this resolution to the issue and allotment of up to 197 million fully paid ordinary shares.

The issue of shares under this resolution will either be undertaken by way of a placement or pursuant to a prospectus or a combination of these. Any shares issued will be listed on either the ASX or a comparable overseas stock exchange. The Company is still considering the proposed listing in Hong Kong, but may also consider other options and is seeking the flexibility to do so under this Resolution.

The issue will be used by the Company for either one or more of the following purposes: corporate acquisitions (placement, takeover, and/or scheme of arrangement or similar) of lithium related business/companies; to assess and, subject to the outcome of that assessment, commence the development and construction of a lithium-ion battery plant at Zhangjiagang; and to repay its US\$105 million senior loan facility.

Please refer to the voting exclusion statement for this resolution in the Explanatory Statement.

11. Approval of the issue of performance options to directors

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

(a) ***“That shareholders approve the issue of 1,000,000 performance options to Michael Spratt (or his nominee), for the purposes and on the terms set out in the Explanatory Statement.”***

(b) ***“That shareholders approve the issue of 1,000,000 performance options to Shaoqing Wu (or his nominee), for the purposes and on the terms set out in the Explanatory Statement.”***

The purpose of these resolutions is for shareholders to approve the grant of performance options to the Company's directors which will provide long term performance incentives to the directors to extract and create

full company and shareholder value in the medium to long term. Further background and information on this resolution is set out in the Explanatory Statement.

Please refer to the voting exclusion statements for these resolutions in the Explanatory Statement.

By order of the board

A handwritten signature in black ink, appearing to read 'A L Meloncelli', with a stylized flourish at the end.

**A L Meloncelli
Company Secretary
Galaxy Resources Limited
6 April 2011**

Important Information for Shareholders

Explanatory Statement

The accompanying Explanatory Statement forms part of this Notice of Annual General Meeting and should be read in conjunction with it.

Voting exclusion statements

The ASX Listing Rules require voting exclusion statements in respect of resolutions 10 to 11 respectively.

Voting thresholds

Resolutions 1 to 11 are ordinary resolutions. An ordinary resolution requires a simple majority of votes cast by shareholders present (in person, by proxy or representative) and entitled to vote on the resolution.

Proxies

All shareholders who are entitled to attend and vote at the meeting have the right to appoint a proxy to attend and vote for them. The proxy does not have to be a shareholder. Shareholders holding two or more shares can appoint either one or two proxies. If two proxies are appointed, the appointing shareholder can specify what proportion of their votes they want each proxy to exercise.

Lodgement of proxy forms and online proxy instructions

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of Annual General Meeting as soon as possible and either return the proxy form to:

- the Company, PO Box 1136, West Perth, Western Australia 6872 Australia or by hand at Level 2, 16 Ord Street, West Perth, Western Australia 6005 or facsimile number +61 (8) 9215 1799 or ir@galaxylithium.com; or
- the Company's share registry, Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001 Australia or facsimile number 1800 783 447 (international +61 3 9473 2555).

Where the proxy form is executed under power of attorney, the power of attorney must be lodged in the same way as the proxy form.

Alternatively, you may register your proxy instructions electronically at the Share Registry's website www.investorvote.com.au.

To be effective, a completed proxy form or online proxy instructions must be received by no later than **2.00pm (AWST) on Tuesday 10 May 2011**, being not less than 48 hours prior to the commencement of the meeting.

Custodians and nominees

For Intermediary Online subscribers only, (custodians) please submit your voting intentions on www.intermediaryonline.com.

Corporate representatives

A body corporate may appoint an individual as its representative to attend and vote at the meeting and exercise any other powers the body corporate can exercise at the meeting. The appointment may be a standing one. The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

Voting entitlements

The board has determined that, for the purpose of voting at the meeting, shareholders are those persons who are the registered holders of the Company's shares at **4.00pm (AWST) on Tuesday 10 May 2011**.

Explanatory Statement

This Explanatory Statement has been prepared for shareholders to provide information about the items of business to be considered at the Annual General Meeting to be held at 2.00pm (AWST) on Thursday 12 May 2011.

Financial Statements and Reports

The Annual Financial Report, Directors' Report and Auditor's Report for the Company for the year ended 31 December 2010 will be laid before the meeting. There is no requirement for shareholders to approve these reports. However, the Chairman will allow a reasonable opportunity for shareholders to ask questions or make comments about those reports and the management of the Company. Shareholders will also be given a reasonable opportunity to ask the Auditor questions about the conduct of the statutory audit and the preparation and content of the Auditor's report.

In addition to taking questions at the meeting, written questions may be submitted to the Managing Director about the management of the Company, or to the Company's auditor about one or more of the following issues:

- a) the preparation and content of the Auditor's Report;
- b) the conduct of the audit;
- c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- d) the independence of the auditor in relation to the conduct of the audit.

All of the resolutions to be voted on are ordinary resolutions. Ordinary resolutions require a simple majority of votes cast by shareholders entitled to vote on the resolution.

Resolution 1 – Adoption of Remuneration Report

Pursuant to section 250R(2) of the Corporations Act 2001 (Cth) ("Corporations Act"), the Company submits to shareholders for consideration and adoption, by way of a non-binding resolution, its remuneration report for the year ended 31 December 2010 (the "Remuneration Report"). The Remuneration Report is a distinct section of the annual directors' report (the "Directors' Report") which deals with the remuneration of directors and executives of the Company. More particularly, the Remuneration Report can be found within the Directors' Report in the Company's 31 December 2010 Annual Report.

By way of summary, the Remuneration Report:

- (a) explains the Company's remuneration policy and the process for determining the remuneration of its directors and executive officers;
- (b) addresses the relationship between the Company's remuneration policy and the Company's performance; and
- (c) sets out the remuneration details for each director and executive officer named in the Remuneration Report for the financial year ended 31 December 2010.

The directors recommend that shareholders vote in favour of the adoption of the Remuneration Report. However, as previously stated, the vote on the adoption of this resolution is advisory only and does not bind the Company. The board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

The Chair of the Meeting will provide shareholders with reasonable opportunity to ask questions about, or to make comments on, the Remuneration Report.

Resolution 2 – Re-election of Craig Readhead as a Director

The board presently consists of eleven (11) directors: Mr C L Readhead, Mr I KS Tan (also the Company's Managing Director), Mr R J Wanless, Mr K C Kwan, Dr Y Zheng, Mr I J Polovineo, Mr X Ren, Mr A P Tse, Mr C B F Whitfield, Mr D M Spratt and Mr S Wu.

In accordance with the Company's constitution rule 10.3, the directors of the Company shall be elected and shall retire in rotation, with one third of the directors (excluding the Managing Director and rounded down to the nearest whole number) subject to election at each annual general meeting of shareholders held to elect directors.

Based on the foregoing, Mr Readhead must retire from office as of the Meeting.

However, being eligible, Mr Readhead offers himself for re-election. Mr Readhead has been a director of the Company since 27 April 1999. Mr Readhead last retired from office at the Company's 2009 annual general meeting and was re-elected as a director at that meeting.

Craig Readhead – Non Executive Chairman

Mr Readhead holds the degrees of Bachelor of Law and Bachelor of Jurisprudence from the University of Western Australia. He has spent the last 28 years practicing in the resources law area and was a partner of a major Perth Law firm before forming his own practice 11 years ago. He is now a partner of the law firm Allion Legal.

Mr Readhead has had a significant role in the development of a number of mining projects within Australia, Africa and South East Asia. Mr Readhead is a director of a number of listed and unlisted companies.

The directors recommend that shareholders vote in favour of the election of Mr Readhead.

Resolutions 3 to 9 – Election of Ivo Polovineo, K C Kwan, Xiaojian Ren, Anthony Tse, Charles Whitfield, Michael Spratt and Shaoging Wu as directors

Rule 10.7 of the Company's constitution provides that the directors of the Company may, at any time, appoint any person to the board of directors, either to fill a casual vacancy or as an addition to the existing board of directors. Any director appointed under this rule holds office until the conclusion of the next annual general meeting but is eligible for election at that meeting. Each of Mr Polovineo, Mr Kwan, Mr Ren, Mr Tse, Mr Whitfield, Mr Spratt and Mr Wu (collectively, the "Additional Directors") were appointed by the then sitting directors of the Company pursuant rule 10.7 of the Company's constitution and must now seek election at this Annual General Meeting.

Ivo Polovineo – Independent Non Executive Director

Mr Polovineo was previously Chief Financial Officer and Company Secretary for Sino Gold Mining Limited, formerly an ASX 100 company.

Mr Polovineo was with Sino Gold for 12 years forming part of the executive team that built the company from a market capitalisation of A\$100m. In December 2009 Sino Gold was acquired by Eldorado Gold Corporation for approximately \$2.4 billion. Mr Polovineo is highly familiar with the cultural requirements for an Australian company doing business in China. Mr Polovineo is a Professional Member of National Institute of Accountants (PNA) with more than 30 years experience as a CFO and Company Secretary including over 20 years in the resources sector.

K C Kwan – Independent Non Executive Director

Mr Kwan is an experienced director in Hong Kong. Mr Kwan is a qualified Chartered Accountant and has been a member of the Hong Kong Institute of Certified Public Accountants since 1982. He completed the Stanford Executive Program in 1992. Mr Kwan was previously the President and Chief Operating Officer for the Asia Pacific Region of Merrill Lynch & Co. Mr Kwan is currently non-executive director of China Properties Group Ltd, JF Household Furnishings Ltd, Hutchison Harbour Ring Ltd, Soundwill Holdings Ltd, Win Hanverky Holdings Ltd, SPG Land (Holdings) Ltd and Sunlight REIT. He was previously an independent non-executive director of Hutchison Telecommunications International Ltd, TS Telecom Technologies Ltd and Yaohan International Holdings Ltd.

Xiaojian Ren – Non Executive Director

Mr Ren has extensive finance experience and is the co-founder, Director and President of Creat Group Ltd. He was previously Chief Executive Officer of Creat Resources Holdings Limited and is currently non executive director. Mr Ren's previous directorships include Beijing Keruicheng Mining Investment Co Ltd and Yantai North Andre Juice Co. He has significant experience in establishing and operating businesses in the Peoples Republic of China.

Anthony Tse – Executive Director

Mr Tse is a Hong Kong resident and was previously the Chief Executive Officer of CSN Corporation, a home shopping television channel in China. Prior to this, he worked in strategy, development and M&A roles at the TOM Group for more than eight years. During his time with the TOM Group, he served as Director of Corporate Development, Deputy General Manager of Online Operations and also President of China Entertainment Television, a joint venture with Time Warner. Prior to joining the TOM Group, Mr Tse spent more than five years at News Corporation's STAR TV.

Charles Whitfield – Executive Director

Mr Whitfield is the Principal Investment Officer of Drumrock Capital, an investment firm providing capital and advisory services to start-up and early round companies. He was formerly a Managing Director with Citigroup where he held the position of head of the corporate equity solutions group (Asia Pacific). Prior to this, he worked for Deutsche Bank where he was head of the strategic equity transactions group (Asia Pacific) from 2000. Mr Whitfield received his Masters in Business Administration (majoring in Finance and Strategy) from Columbia Business School (New York) in 1998 and his Bachelor of Economics from The University of Exeter (U.K.) in 1992.

Michael Spratt – Independent Non Executive Director

Mr Spratt has 48 years of experience in the base metals, mining, processing, smelting and construction sectors. He was previously the Managing Director of Thailand's Thaisarco Limited, which is one of the world's largest tin smelters

and is currently the Chairman of Kasbah Resources Limited (ASX: KAS). Other past positions include Chief Operating Officer of Minproc Limited and Executive Vice President and Operations Director of Kaiser Engineers Pty Ltd.

Mr Spratt is a qualified metallurgist with extensive experience managing a range of operations in a variety of environments and geographies including Australia, Asia, and Africa.

Shaoqing Wu – Non Executive Director

Mr Wu was appointed as Non-executive Director on February 24, 2011. He has 17 years' experience in the steel raw materials trading and processing, overseas shipping and port logistics industries. Mr. Wu has been employed by Fengli Group since July 1993. He was a vice general manager of Jiangsu Yongheng Furnace Material Industrial Co., Ltd., a subsidiary of Fengli Group, from July 1993 to October 1997 and was responsible for the sales of raw steel scrap and boiler materials. He was vice general manager of Jiangsu Fengli International Trade Co., Ltd, a subsidiary of Fengli Group, from October 1997 to April 2004 and was responsible for the export and re-export of raw steel scrap and metal scrap.

Mr. Wu was then vice general manager of Fengli Group from April 2004 to January 2011 and was responsible for the international trade businesses and general management of VIP customers. Mr. Wu was appointed as the general manager of Fengli Group in January 2011 and is responsible for all the senior management and daily activities of Fengli Group.

Mr. Wu has been chairman of Good Credit International Trade Co., Ltd. since June 23, 2010. Mr. Wu received his Bachelor of Civil Engineering from Shazhou Vocational Institute of Technology in 1992.

The directors recommend that shareholders vote in favour of the election of each of the Additional Directors.

Resolution 10 – Approval of share issue

Prior Approval

On 22 December 2010 at a general meeting of the Company, shareholders passed a resolution (resolution 4) to approve an offer of shares to be made in conjunction with the Company listing on the Stock Exchange of Hong Kong.

As announced to the ASX on 14 March 2011, the proposed listing in Hong Kong was postponed until further notice due to unfavourable financial market conditions.

The previous shareholder approval to undertake this proposed issue of shares in conjunction with the Hong Kong listing will expire on 22 April 2011 (please refer to the Company's ASX announcement dated 7 February 2011).

Purpose and Background

The purpose of this resolution is for shareholders to approve the issue of up to 197 million fully paid ordinary shares in the capital of the Company to be undertaken by way of a placement or pursuant to a prospectus or a combination of these. Shares issued will be listed on the ASX or a comparable overseas stock exchange. The Company is still considering the proposed listing in Hong Kong, but may also consider other options and is seeking the flexibility to do so under this Resolution.

The issue will be used by the Company for either one or more of the following purposes: corporate acquisitions (placement, takeover, and/or scheme of arrangement or similar) of lithium related business/companies; to assess and, subject to the outcome of that assessment, commence the development and construction of a lithium-ion battery plant at Zhangjiagang; and to repay its US\$105 million senior loan facility. The outcome would be a stronger balance sheet and increased capacity to invest in new growth business opportunities.

Regulatory Requirements

ASX Listing Rule 7.1 provides that a listed company may not, subject to certain exceptions (including shareholder approval), issue equity securities in any 12 month period where the total number of equity securities to be issued exceeds 15% of the number of fully paid ordinary securities on issue 12 months before the date of issue.

The Company now seeks shareholder approval for the issue of up to 197 million fully paid ordinary shares in the capital of the Company. Approval of this resolution will provide the Company with the flexibility to issue further shares as required either by way of placement, a prospectus, scheme of arrangement (or similar) or a combination of these.

The following information is provided to shareholders for the purpose of ASX Listing Rule 7.3.

Maximum number of securities to be issued

The Company intends to issue up to 197 million fully paid ordinary shares in the capital of the Company.

Date of issue and allotment

The Company will issue and allot the shares in the third quarter of 2011, but in any event by no later than three months after the date of the Annual General Meeting.

Price of issue

If the issue of shares is undertaken pursuant to a prospectus, the issue price of each share will be the equivalent of a minimum of 80% of the average market price for the Company's shares calculated over the five days on which sales of shares were recorded before the date of the prospectus.

If the issue of shares is undertaken pursuant to a placement, the issue price of each share will be the equivalent of a minimum of 80% of the average market price for the Company's shares calculated over the five days on which sales of shares were recorded before the day on which the issue is made.

Allottees of the shares

Allottees of the shares will be determined by the Company.

The terms of the shares

The shares will be fully paid ordinary shares in the capital of the Company and will rank equally with the Company's shares that are currently on issue.

The intended use of the funds raised

The issue will be used by the Company for either one or more of the following purposes: corporate acquisitions (placement, takeover, and/or scheme of arrangement or similar) of lithium related business/companies; to assess and, subject to the outcome of that assessment, commence the development and construction of a lithium-ion battery plant at Zhangjiagang; and to repay its US\$105 million senior loan facility.

Any further acquisitions, project development or exploration will be evaluated as they arise, against the company's stated strategic objective of becoming a leading, vertically integrated producer of high quality lithium-related products.

Voting exclusion statement

For the purposes of ASX Listing Rule 7.3.8, the Company will disregard any votes cast on resolution 10 by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if resolution 10 is passed, and any of their associates, unless it is cast:

- (a) by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form); or
- (b) by the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides).

The directors unanimously recommend that shareholders vote in favour of resolution 10.

Resolution 11 - Approval of the issue of performance options to directors

Purpose

The Company proposes the issue of new performance-based options to Mr Spratt and Mr Wu in order to better align the incentives of the directors and the Company's senior management with the Company's strategic objective of being dual listed on the SEHK and creating Company and shareholder value by moving toward a vertically integrated business model. The directors and senior management have so far been successful at building a company from a market capitalisation of A\$30 million two years ago to approximately A\$300 million.

The key performance hurdles of the performance options are service tenure of 12 months (from 13 October 2010); successful SEHK listing and creating shareholder value measured by the Company's share price increasing to above A\$2.00 per share based on a 10 day VWAP from the last date of satisfaction of the first two performance hurdles.

Regulatory Requirements

The Company seeks shareholder approval in order to comply with the requirements of ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act and for all other purposes for the issue of performance options for nil consideration to each of the following directors of the Company (or to that director's nominee). The purpose of the performance options is to align the directors' incentives with the corporate objectives of the Company.

Resolutions 11(a) and (b) propose the issue of performance options for nil consideration within one month of the date of this Annual General Meeting. The full terms and conditions of the performance options are attached as a schedule to this Notice of Annual General Meeting and a summary is set out in the table below.

The exercise price of the performance options is A\$1.16 which was set on the basis of a 20 day volume weighted average price of the Company's shares prior to 1 October 2010, being the date on which the performance options were recommended to the board for approval (subject to shareholder approval).

Resolution	Director	Performance options	Performance (Vesting) Criteria
11(a)	Michael Spratt	1,000,000 performance options exercisable at A\$1.16, expiring five years from the vesting date	a) Completion of 12 months service as a director from 13 October 2010 b) Successful listing of the Company on the SEHK c) The Company's share price being greater than A\$2.00 or SEHK equivalent (based on a 10 day volume weighted average price) from the last date of satisfaction of (a) and (b)
11(b)	Shaoqing Wu	1,000,000 performance options exercisable at A\$1.16, expiring five years from the vesting date	a) Completion of 12 months service as a director from 13 October 2010 b) Successful listing of the Company on the SEHK c) The Company's share price being greater than A\$2.00 or SEHK equivalent (based on a 10 day volume weighted average price) from the last date of satisfaction of (a) and (b)

If some or all of the performance options referred to in resolutions 11(a) and 11(b) are exercised, it is envisaged at this stage that the funds raised will supplement existing cash resources being applied to the development of the Company's projects.

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. The grant of performance options contemplated by resolutions 11(a) and 11(b) constitutes the provision of a financial benefit to related parties under section 229 of the Corporations Act.

A "related party" is widely defined and includes a director of a public company. Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the exceptions to the provision (none of which apply to resolutions 11(a) and 11(b)); or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of section 219 of the Corporations Act the following information is provided to shareholders to enable them to assess the merits of resolutions 11(a) and 11(b).

Related Parties to whom the resolutions would permit the benefit to be given

Michael Spratt and Shaoqing Wu who are both directors of the Company.

Nature of the financial benefit

The proposed financial benefit to be given is the issue of performance options to each of Michael Spratt and Shaoqing Wu as set out in the table above.

Directors' recommendations

Each of Michael Spratt and Shaoqing Wu decline to make a recommendation to shareholders in relation to resolutions 11(a) and 11(b) respectively because they have a material personal interest in the outcome of resolutions 11(a) and 11(b) respectively.

ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of performance options to a related party. Approval pursuant to Listing Rule 7.1 is not required in order to grant the performance options as approval is being obtained under ASX Listing Rule 10.11. The grant of performance options will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

The following information is provided in compliance with Listing Rule 10.13:

- (a) The maximum number of performance options that may be issued pursuant to resolutions 11(a) and 11(b) is 2,000,000.
- (b) The performance options will be issued as soon as practical following the date of the Annual General Meeting but in any event no later than one month from the date of the Annual General Meeting.
- (c) The option holders are Michael Spratt (or his nominee) and Shaoqing Wu (or his nominee).
- (d) No funds are being raised for the proposed issue of performance options.
- (e) The terms and conditions of the performance options are set out in the table above.

Valuation of performance options

ASIC regulatory policy requires the Company to place a dollar value on the financial benefit proposed to be received by the Related Party from the Company.

The Binomial Option price calculation method is widely regarded as acceptable as a valuation model where the performance options cannot be readily valued by some other means. In determining the dollar value, the following assumptions were made:

- (a) the market price of shares is A\$1.30 per share;
- (b) the performance options will be exercisable at A\$1.16 each;
- (c) the performance options will be exercisable by the fifth anniversary of vesting;
- (d) price volatility of the shares during the life of the Performance options is expected to be 70%;
- (e) the average current risk free interest rate is 5.17%; and
- (f) the total discount factor of 0%.

Based on the six key assumptions listed above, the valuations per performance option is A\$0.838 per option.

On this basis, the implied value (after applying discount factor) being received by each Related Party in relation to the performance options is as follows:

Director	Value (A\$)
D Michael Spratt	838,000
Shaoqing Wu	838,000

Current relevant interest in shares and options

The table below shows the relevant interest of each of Michael Spratt and Shaoqing Wu in shares and performance options before and after the Resolutions in this Notice of Annual General Meeting are implemented, assuming they are all passed.

Director	As at the date of this Notice of General Meeting		Following implementation of resolutions 11(a) and (b)	
	Shares	Options	Shares	Options
Michael Spratt	0	0	0	1,000,000
Shaoqing Wu	0	0	0	1,000,000

The grant of the performance options to Michael Spratt and Shaoqing Wu will, upon any exercise, be equal to approximately 0.73% of the Company's fully-diluted share capital (based on the number of shares and performance options on issue as at the date of the Notice of Annual General Meeting assuming resolutions 11(a) and (b) are implemented and no other performance options are exercised).

The table below shows the total remuneration of Michael Spratt and Shaoqing Wu (including superannuation), and the total financial benefits to be received by them in the period from 1 January 2011 to date of this Notice of Annual General Meeting (including the implied value to be received by Michael Spratt and Shaoqing Wu as a result of resolutions 11(a) and 11(b), year ended 31 December 2010 and the six months ended 31 December 2009.

Director	Description	Cash Salary and Fees (A\$)	Superannuation (A\$)	Share Based Payments (A\$)	Total Financial Benefit (A\$)
D Michael Spratt	Non-Executive Director	a) 10,547 b) 0 c) 0	a) 949 b) 0 c) 0	a) 838,000 b) 0 c) 0	a) 849,496 b) 0 c) 0
Shaoqing Wu	Non-Executive Director	a) 8,054 b) 0 c) 0	a) 0 b) 0 c) 0	a) 838,000 b) 0 c) 0	a) 846,054 b) 0 c) 0

Key:

- a) Period 1 January 2011 to 6 April 2011
- b) Period 1 January 2010 to 31 December 2010
- c) Period 1 July 2009 to 31 December 2009

Trading history

The highest and lowest closing market sale prices of the Company's Shares on ASX during the three months immediately preceding the date of lodgement of a draft of this Notice of Annual General Meeting with ASX for approval purposes, and the respective dates of those sales were:

Highest: A\$1.815 on 17 January 2011

Lowest: A\$1.01 on 15 March 2011

The last closing trading price of the shares prior to the date of this Notice of Annual General Meeting was A\$1.43 on 6 April 2011.

Voting exclusion statement

For the purposes of ASX Listing Rule 10.13, the Company will disregard any votes cast on resolutions 11(a) and 11(b) by Michael Spratt and Shaoqing Wu respectively and any of their respective associates, unless it is cast:

- (a) by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form);
or
- (b) by the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides).

Mr Spratt and Mr Wu have an interest in resolution 11 and accordingly do not make a recommendation to shareholders. Mr Readhead, Mr Tan, Mr Wanless, Mr Polovineo, Mr Kwan, Dr Zheng, Mr Ren, Mr Tse and Mr Whitfield recommend that shareholders vote in favour for resolution 11.

Schedule

Terms and conditions of options

Exercise Date

The options are exercisable wholly or in part at any time before 5.00 pm (AWST) on the fifth anniversary of the vesting date. Options not exercised by that date shall lapse.

Exercise Price

Each option shall entitle the option holder to acquire one fully paid ordinary share upon payment of the exercise price of A\$1.16.

Consideration

The options are issued for no consideration.

Vesting Criteria

Each option will vest on:

- a) completion of 12 months service from 13 October 2010;
- b) the Company successfully listing on the Stock Exchange of Hong Kong Limited; and
- c) the Company's share price being greater than A\$2.00 (or Hong Kong equivalent) based on the 10 day volume weighted average price from the last date of satisfaction of a) and b).

Transfer of Options

The options are non-transferable.

Notice of Exercise

Each option may be exercised by notice in writing to the Company at any time before their date of expiry. Any notice of exercise of an option received by the Company with payment on full of the exercise price will be deemed to be a notice of the exercise of that option as at the date of receipt.

Quotation of Options and Shares on Exercise

Application will not be made to Australian Securities Exchange ("ASX") for official quotation of the options. Application will be made to the ASX for official quotation of the shares issued upon exercise of options.

Shares Allotted on Exercise

Shares allotted pursuant to the exercise of options will be allotted following receipt of all the relevant documents and payments and will rank equally with the issued shares.

Participation Rights or Entitlements

There are no participating rights or entitlements inherent in the options and option holders will not be entitled to participate in new issues of securities offered to shareholders during the currency of the options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least six business days after the issue is announced so as to give option holders the opportunity to exercise their options before the date for determining entitlements to participate in any issue.

Reconstruction of Share Capital

In the event of a reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, all rights of the option holder shall be reconstructed in accordance with the ASX Listing Rules.

Bonus Issues

If, from time to time, before the expiry of the options the Company makes a pro-rata issue of shares to shareholders for no consideration, the number of shares over which an option is exercisable will be increased by the number of shares which the option holder would have received if the option had been exercised before the date for calculating entitlements to the pro-rata issue.

Change of Control

If, in the opinion of the board, a Change of Control Event has occurred, or is likely to occur, the board may declare an Option to be free of any conditions of exercise and options which are so declared may, be exercised at any time and in any number.

A Change of Control Event occurs if a takeover bid is made to acquire all of the issued shares in the Company (or other transaction is initiated which, in the board's opinion, has an effect similar to a full takeover bid for the shares in the Company, including a scheme of arrangement) and the bid has resulted in or (in the opinion of the board) will result in the proponent of the bid acquiring more than 50% of the issued shares in the Company.



Galaxy Resources Limited
ABN 11 071 976 442

000001 000 GXY
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:



Online:
www.investorvote.com.au



By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form



Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au



Cast your proxy vote



Access the annual report



Review and update your securityholding

Your secure access information is:

Control Number: 999999

SRN/HIN: 1999999999

PIN: 99999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 2:00pm (AWST) Tuesday 10 May 2011

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form →**

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Galaxy Resources Limited hereby appoint



the Chairman
of the Meeting OR



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Galaxy Resources Limited to be held at the Celtic Club Inc, 48 Ord Street, West Perth, WA 6005 on Thursday, 12 May 2011 at 2:00pm (AWST) and at any adjournment of that meeting.

STEP 2 Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Item 1	Adoption of Remuneration Report	☐	☐	☐
Item 2	Re-Election of Craig Readhead as a Director	☐	☐	☐
Item 3	Election of Ivo Polovineo as a Director	☐	☐	☐
Item 4	Election of K C Kwan as a Director	☐	☐	☐
Item 5	Election of Xiaojian Ren as a Director	☐	☐	☐
Item 6	Election of Anthony Tse as a Director	☐	☐	☐
Item 7	Election of Charles Whitfield as a Director	☐	☐	☐
Item 8	Election of Michael Spratt as a Director	☐	☐	☐
Item 9	Election of Shaoqing Wu as a Director	☐	☐	☐
Item 10	Approval of Share Issue	☐	☐	☐
Item 11(a)	Approval of the Issue of Performance Options to a Director - Michael Spratt	☐	☐	☐
Item 11(b)	Approval of the Issue of Performance Options to a Director - Shaoqing Wu	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date ____/____/____

GXY

1 2 9 1 3 8 A

Computershare +