

Perth, Australia
09 August 2013

CLEANSING PROSPECTUS TO FACILITATE SECONDARY TRADING OF SHORTFALL SECURITIES UNDER RIGHTS ISSUE

Galaxy Resources Limited (ABN 11 071 976 442) (**Galaxy**) refers to the non-renounceable pro rata entitlement offer of new shares (**New Shares**) and free attaching new options (**New Options**), announced to the ASX on 27 May 2013 (**Rights Issue**).

As announced on 7 August 2013, Galaxy has issued 183,619,346 New Shares and 275,429,184 New Options pursuant to subscriptions received under the Rights Issue.

Subsequent to such issue, Galaxy issued a further 14,471,500 New Shares and 21,707,250 New Options, representing the shortfall under the Rights Issue (**Shortfall Securities**), to various professional and institutional investors (including existing Shareholders) who have subscribed for the shortfall.

The Shortfall Securities were issued without disclosure to investors under Part 6D of the *Corporations Act 2001* (Cth).

Galaxy has today lodged a compliance prospectus with the Australian Securities and Investments Commission to remove the on-sale restrictions and facilitate secondary trading of the Shortfall Securities (**Cleansing Prospectus**).

A copy of the Cleansing Prospectus is attached to this announcement.

--ENDS--

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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 has built an advanced and fully-automated Lithium Carbonate production facility in Jiangsu Province, China ("Jiangsu Plant"). The Jiangsu Plant has a name-plate capacity of 17,000 tpa, is primarily focused on producing battery grade lithium carbonate, and is aiming to become the largest producer in the Asia Pacific region and the fourth largest in the world.

Galaxy is currently advancing plans to develop the Sal de Vida Lithium and Potash Brine Project ("Sal de Vida") in Argentina, which is situated in the Lithium Triangle, a region where Chile, Argentina and Bolivia meet, and presently accounts for 60% of global lithium production. Sal de Vida has excellent promise as a future low cost production facility.

The Company also owns the Mt Cattlin Spodumene Mine near Ravensthorpe in Western Australia and the James Bay Lithium Pegmatite Project in Quebec, Canada.

Lithium compounds are used in the manufacture of ceramics, glass, electronics and are an essential ingredient in producing battery materials such as cathode and electrolyte, in the manufacture of long life lithium-ion batteries, which are used in consumer electronics, power tools, electric bikes, hybrid and electric vehicles. Anticipating the growing demand in coming years, Galaxy is positioning itself to become a major producer of lithium products.

Caution Regarding Forward Looking Information.

This document contains forward looking statements concerning Galaxy.

Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties and other factors. Forward-looking statements are inherently subject to business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking information provided by the Company, or on behalf of, the Company. Such factors include, among other things, risks relating to additional funding requirements, metal prices, exploration, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability and potential title disputes.

Forward looking statements in this document are based on Galaxy's beliefs, opinions and estimates of Galaxy as of the dates the forward looking statements are made, and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

Not For Release in US

This announcement has been prepared for publication in Australia and may not be released in the U.S. This announcement does not constitute an offer of securities for sale in any jurisdiction, including the United States, and any securities described in this announcement may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the issuer and that will contain detailed information about the company and management, as well as financial statements.

GALAXY RESOURCES LIMITED
ABN 11 071 976 442

PROSPECTUS

For the issue of up to 1000 New Shares to investors at an issue price of \$0.10 per New Share and up to 1000 free attaching New Options to raise up to \$100 before issue costs.

This Prospectus is a compliance prospectus to facilitate secondary trading of Shares and Options previously issued by the Company.

Important Notice

This document is important and should be read in its entirety (including the 'Risk Factors' in section 4) 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 9 August 2013 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this Prospectus. No 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. Applications for 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.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions constitutes a violation of those laws. This Prospectus does not constitute an offer of securities in any jurisdiction where, or to any person whom, it would be unlawful to issue in 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 4** of this Prospectus) that could affect the performance of the Company before making an investment decision.

Some words and expressions used in this Prospectus have defined meanings which are explained in **section 7**.

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1. DETAILS OF THE OFFER

1.1 Purpose of the Offer

On 27 May 2013, Galaxy Resources Limited (**Galaxy** or the **Company**) announced a non-renounceable pro rata offer of up to approximately 584,355,501 new Shares on the basis of one new Share for every one existing Share held and up to approximately 876,533,252 free attaching new Options on the basis of three new Options for every two new Shares subscribed for and allotted, to raise up to approximately \$46.7 million before costs (**Rights Issue**).

As announced to the ASX on 6 August 2013, the Rights Issue closed on 31 July 2013 with Galaxy receiving valid applications for 183,619,346 new Shares and 275,429,184 new Options, representing total proceeds of \$14.68 million¹.

Subsequent to the close of the Rights Issue, Galaxy has issued 14,471,500 new Shares (**Shortfall Shares**) and 21,707,250 free attaching new Options exercisable at \$0.08 on or before 31 December 2014 (**Shortfall Options**) on the basis of three new Shortfall Options for every two Shortfall Shares subscribed for, to various professional and institutional investors (including existing Shareholders) who have subscribed for the shortfall (**Placees**).

The issue of the Shortfall Shares and Shortfall Options (together, **Shortfall Securities**) was undertaken without disclosure to investors under Part 6D of the Corporations Act.

Generally, section 707(3) of the Corporations Act requires that a prospectus is issued in order for a person to whom securities were issued without disclosure under Part 6D of the Corporations Act to on-sell those securities within 12 months of the date of their issue.

Section 708A(11) of the Corporations Act provides an exemption from this general requirement where:

- (a) the relevant securities are in a class of securities of the company that are already quoted on ASX;
- (b) a prospectus is lodged with ASIC either:
 - (i) on or after the day on which the relevant securities were issued; or
 - (ii) before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
- (c) the prospectus is for an offer of securities issued by the company that are in the same class of securities as the relevant securities.

The purpose of this Prospectus is to comply with section 708A(11) of the Corporations Act so that the Placees, if they choose to, can sell the Shortfall Securities within the next twelve months without the issue of a prospectus.

The issue of the Shortfall Securities is not being undertaken by the Company with the purpose of Placees selling or transferring the Shortfall Securities. However, the Directors consider that the Placees should be able to sell the Shortfall Securities should they wish to do so, without being required to issue a prospectus.

1.2 Details of the Offer

The Company is inviting selected investors to apply for up to a total of 1000 New Shares at an issue price of \$0.10 per New Share, and 1000 free attaching New Options on the basis of one New Option for every one New Share subscribed for and allotted under the Offer to raise up to \$100 before issue costs.

The Issue is not underwritten. There is no guarantee that the Issue will proceed or that any applications will be accepted.

¹ Proceeds received include subscriptions from Australian and Canadian Shareholders and the calculation for the total amount raised is based on an exchange rate of 1 AUD = 1 CAD.

1.3 Minimum Subscription

There is no minimum subscription.

1.4 Opening and Closing Dates

The Opening Date of the Issue will be 9 August 2013 and the Closing Date will be 14 August 2013. The Directors reserve the right to close the Issue early or extend the Closing Date (as the case may be), should it be considered by them necessary to do so.

1.5 Applications

This Offer is being extended to investors who are invited by the Company to subscribe for New Securities and is not open to the general public. The Company may determine in its discretion whether to accept any or all Applications.

Applications for New Securities must be made using the Application Form attached to this Prospectus. To the maximum extent permitted by law, the Directors will have discretion over which Applications to accept.

Applicants will need to follow the procedures advised to them by the Company for Applications under this Offer.

1.6 Allotment and Application Money

The Directors will determine the allottees of the New Securities. The Directors reserve the right to reject any application or to allocate any applicant fewer New Securities than the number applied for.

Where the number of New Securities allotted is less than the number applied for, the surplus moneys will be returned by cheque as soon as practicable after the Closing Date. Where no allotment is made, the amount tendered on application will be returned in full by cheque as soon as practicable after the Closing Date. Interest will not be paid on moneys refunded.

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

Subject to the ASX granting the New Securities Official Quotation, it is expected that the New Securities will be issued on 14 August 2013 and that trading of the New Shares on ASX will commence on 15 August 2013.

1.7 ASX 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 the New Securities are not quoted by ASX within three months after the date of this Prospectus, the Company will not allot or issue any New Securities and will refund all Application Money in full as soon as practicable, without interest.

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.

1.8 Issue Outside Australia and New Zealand

This Prospectus does not constitute an offer of 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 securities or the Issue or otherwise to permit an offering of the securities in any jurisdiction outside Australia and New Zealand.

1.9 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 the 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	-	-	\$0.23 on 24 April 2013

Note: the Company has been in suspension from trading on ASX since 24 April 2013.

1.10 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.

1.11 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 rank equally with the Company's existing Options exercisable at \$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 3**.

1.12 Taxation Implications

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

1.13 Enquiries

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

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

2. USE OF FUNDS AND EFFECT OF THE ISSUE

2.1 Use of funds

If the Issue does proceed the \$100 raised from the Issue will be applied towards Issue costs.

2.2 Effect of the Issue 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 proceeds.

Shares	
Shares quoted on ASX prior to the issue of this Prospectus (including the issue of Shares under the Rights Issue and Shortfall Shares)	782,446,347 ²
New Shares to be issued under the Offer	1000
Total issued Shares	782,447,347

Options	
Listed Options exercisable at \$0.08 on or before 31 December 2014 (including the issue of Options under the Rights Issue and Shortfall Options)	297,136,434
Unlisted Options exercisable at various prices with various vesting and expiry dates on issue prior to the Offer	9,150,000
Unlisted Options exercisable at \$1.11 with various vesting and expiry dates on issue prior to the Offer	4,800,000
Unlisted Options exercisable at \$0.96 with various vesting and expiry dates on issue prior to the Offer	1,000,000
Unlisted Options exercisable at \$1.16 with various vesting and expiry dates on issue prior to the Offer	22,500,000
New Options to be issued under the Offer	1000
Total issued Options	334,587,434

Convertible Bonds	
Convertible Bonds (unsecured and subordinate)	615
Convertible Bonds issued under the Offer	-
Total issued Convertible Bonds	615

² This is made up of 770,595,990 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.

2.3 Statement of Financial Position

Set out below is the Consolidated Statement of Financial Position of the Company as at 31 December 2012 (unaudited), and the Consolidated Pro-Forma Statement of Financial Position as at 31 December 2012 (unaudited) incorporating the effect of the Issue.

	31 December 2012 (Unaudited)	Pro-forma adjustment	31 December 2012 (Pro-forma)
	\$	\$	\$
Non-Current Assets			
Property, plant and equipment	169,735,813		169,735,813
Lease prepayment	1,367,025		1,367,025
Exploration and evaluation assets	135,782,341		135,782,341
Available-for-sale financial assets	216,196		216,196
Other receivables and prepayments	6,285,396		6,285,396
Total Non-Current Assets	313,386,771		313,386,771
Current Assets			
Other receivables and prepayments	13,175,844		13,175,844
Inventories	18,869,647		18,869,647
Cash and cash equivalents	7,718,527	14,526,431	22,244,958
Total Current Assets	39,764,018	14,526,431	54,290,449
TOTAL ASSETS	353,150,789	14,526,431	367,677,220
Non-Current Liabilities			
Provisions	5,313,782		5,313,782
Interest bearing liabilities	60,365,464		60,365,464
Total Non-Current Liabilities	65,679,246		65,679,246
Current Liabilities			
Trade and other payables	13,116,519		13,116,519
Provisions	347,785		347,785
Interest bearing liabilities	107,779,160		107,779,160
Total Current Liabilities	121,243,464		121,243,464
TOTAL LIABILITIES	186,922,710		186,922,710
NET ASSETS	166,228,079	14,526,431	180,754,510
Capital and Reserves			
Share capital	407,170,372	14,526,431	421,696,803
Reserves	32,207,502		32,207,502
Accumulated Losses	(305,906,197)		(305,906,197)
Non-controlling interests	32,756,402		32,756,402
TOTAL EQUITY	166,228,079	14,526,431	180,754,510

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:

- Increase in cash of \$14,526,431 from the issue of Shares under the Rights Issue and Shortfall Shares (after costs).
- The issue of 198,090,846 new Shares at \$0.08 per new Share, and 297,136,434 free attaching Options exercisable at \$0.08 per new Option on or before 31 December 2014, being the Rights Issue Shares and Options and Shortfall Securities, to raise approximately \$14,526,431 (after costs).
- No Options are exercised prior to the Record Date.

3. 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.

3.1 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.

3.2 Rights attaching to New Options

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

4. RISK FACTORS

4.1 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.

4.2 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

While the Company has recently raised funds through the Rights Issue and the Junior Debt Facility, the Company will have future capital requirements in order to refinance its bank debt and to fund working capital.

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.

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 and its ability to continue as a going concern.

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.

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.

5. ADDITIONAL INFORMATION

5.1 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
9 August 2013	Appendix 3B – Rights Issue Shares/Options
7 August 2013	Galaxy Non-Renounceable Entitlement Offer
2 August 2013	Continued Production Increases at Galaxy's Jiangsu Plant
31 July 2013	Quarterly Activities and Cashflow Report - June 2013
29 July 2013	Galaxy to Exceed Rights Issue Minimum
26 July 2013	Galaxy Reaches Agreement with Bondholders - Due 2015
18 July 2013	Sal De Vida Project - Option Update
15 July 2013	Extension to Closing Date for Rights Issue
12 July 2013	Sal De Vida Project - Option Update
11 July 2013	Rights Issue Shareholder Briefings Presentation - July 2013
10 July 2013	Jiangsu June Production Update
9 July 2013	Rights Issue Shareholder Briefing Sessions
8 July 2013	Dispatch of Rights Issue and Supplementary Prospectus
2 July 2013	Galaxy Recommences Capital Raising and Supp Prospectus
27 June 2013	Galaxy Establishes Special Management Committee
25 June 2013	Rights Issue Timetable Extension
24 June 2013	Appendix 3B - Cancellation of Options
18 June 2013	Jiangsu May Production Update
12 June 2013	Prospectus Delay and Cancellation of Shareholder Briefings
11 June 2013	Resignation of Managing Director
11 June 2013	Final Director's Interest Notice - Tan
7 June 2013	Results of Adjourned Annual General Meeting
6 June 2013	Bridging Loan
5 June 2013	Letter to Shareholders - Rights Issue Briefing Sessions
31 May 2013	Adjournment of Annual General Meeting
31 May 2013	Annual General Meeting Presentation
27 May 2013	Letter to Shareholders - Rights Issue
27 May 2013	Appendix 3B - Rights Issue
27 May 2013	Rights Issue Prospectus
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.

5.2 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 securities pursuant to this Prospectus; or
- (c) the issue of 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 the issue of 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.
Anthony Tse	1,000,000 Unlisted Options exercisable at \$1.16 with various vesting and expiry dates

Name	Securities
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.

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 August 2011 to July 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.

5.3 Interests and Consents of Experts and Advisers

Allion Legal has given (and not before the date of this document withdrawn) their consent to be named as solicitors to the Company in this document in the form and context in which they are named.

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 its consent as specified in this section.

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 Legal is entitled to be paid \$5,000 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.

5.4 Estimated Expenses of Issue

The estimated expenses of the Issue are approximately \$5,000 including ASIC, ASX and printing costs.

5.5 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.

5.6 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.

5.7 Directors' Consent

Each Director has consented to the lodgment 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", with a large, stylized initial "R" at the beginning.

Craig Readhead

Chairman

6. CORPORATE DIRECTORY

Directors

Craig Readhead

Non-Executive Chairman

Anthony Tse

Managing 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

West Perth WA 6005 Australia

PO Box 1136

West Perth WA 6872 Australia

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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

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

*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.

7. GLOSSARY

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

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.

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.

Board means the board of Directors.

CHES means ASX Clearing House Electronic Sub-register System.

Closing Date means 5pm WST 15 August 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.

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.

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).

Junior Debt Facility means the \$5 million subordinated short term loan facility provided to the Company by a lending consortium, as announced to the ASX on 29 July 2013

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.

New Option means an Option, to be listed on ASX, exercisable at \$0.08 on or before 31 December 2014, to be issued at the ratio of one New Option for every one New Share 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 selected investors of up to 1000 New Shares at an issue price of \$0.10 each to raise up to \$100 and up to 1000 free attaching New Options to be issued at the ratio of one New Option for every one New Share subscribed for and allotted under the Offer.

Official Quotation means official quotation on ASX.

Opening Date means 9 August 2013.

Option means an option to subscribe for a Share.

Prospectus means the prospectus constituted by this document.

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

Shareholder means the holder of a Share.

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.

WST means Australian Western Standard Time.