4 December 2013

Mr Dale Allen
ASX Compliance Pty Ltd
Level 8
2 The Esplanade
PERTH WA 6000

By email: dale.allen@asx.com.au

Dear Dale,

PRICE AND VOLUME QUERY

Further to your correspondence dated 3 December 2013 regarding Galaxy Resources Limited (**"the Company"** or **"Galaxy"**). I respond as follows:

1. The Company is not aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the Securities of the Company.

2. Not applicable.

3. The Company can confirm that the planned maintenance shutdown at Jiangsu, as detailed in the quarterly report, has been successfully completed (Refer announcement dated 4 December 2013).

   A research report recently issued by Patersons Securities is available on the company's website.

   The Company is also aware of online discussion in respect of a Chinese language report issued by the Zhangjiagang Free Trade Zone Authority, which has been incorrectly interpreted by forum posters. The document relates to Chinese government approvals in respect to an increase in registered capital for the Chinese subsidiary of Galaxy, undertaken earlier in the year. The online document is the culmination of necessary approvals and was part of a standard set of government procedures related thereto. For the avoidance of doubt, Galaxy is not required to make any environmental payments in respect of Jiangsu, or invest any further capital beyond voluntary routine working capital injections for operations and basic maintenance procedures etc.

   The company has also received enquiries concerning the recent Quarterly Cash Flow filing (Appendix 5B) in which it was stated that cash required for operations for quarter ended 31 December 2013 would be A$15 million. It appears that some investors were confused that this was a gross figure and was not reduced by expected sales receipts which would largely offset this figure as sales of Jiangsu Plant lithium carbonate production converts into cash flow receipts.

   Cash Flow reporting undertaken in the recent quarterly report highlighted this lagging effect, with a reported $6.8 million in cash receipts from product sales, vs. actual booked sales of $12.8 million (inc VAT). These booked sales are now converting to cash receipts as payment terms become due. Galaxy holds significant RMB VAT credits, sufficient to offset the VAT liability on sales.

   Previously Galaxy reported expected future cash flows in quarterly reporting on a net basis (ie. cash outflows adjusted for expected future cash inflow from sales revenue), however recent guidance from the ASX saw the company reverting to reporting only gross cash outflows (i.e. reporting expected production expenses without adjusting for corresponding excepted cash inflows from sales of that production). Shareholders and analysts should keep this ASX reporting requirement in mind when evaluating the Company's cash flow position, a full update on which will be provided with the December 2013 quarterly report.

   Finally there have been enquiries speculating if either banks or bond holders have requested early repayment of any debt. The Company has received no such requests or is engaged in any discussion with any of its banks or bond holders of this nature.

The Company is not aware of any other explanation for the price change and the increase in volume in the securities of the Company; and

4. The Company confirms that it is in compliance with the ASX Listing Rules, and in particular Listing Rule 3.1.

Should you have any queries please call me immediately on 08 9215 1700 or ir@galaxylithium.com.

Yours sincerely

A L Meloncelli
Company Secretary

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3 December 2013

Mr Andrew Meloncelli
Company Secretary
Galaxy Resources Limited
Level 2, 16 Ord Street
West Perth WA 6005

Dear Andrew

Galaxy Resources Limited (the "Entity")

We have noted a change in the price of the Entity's securities from a close of $0.038 on 2 December 2013 to an intra-day low of $0.027 today, 3 December 2013. We have also noted an increase in the volume of trading in the Entity's securities over this period.

In light of the price change and increase in volume, ASX asks you to respond separately to each of the following questions:

1. Is the Entity aware of any information concerning it that has not been announced to the market which, if known by some in the market, could explain the recent trading in its securities?

2. If the answer to question 1 is "yes":

   a) Is the Entity relying on Listing Rule 3.1A not to announce that information under Listing Rule 3.1?

      Please note that the recent trading in the Entity's securities would suggest to ASX that such information may have ceased to be confidential and therefore the Entity may no longer be able to rely on Listing Rule 3.1A. Accordingly, if the answer to this question is "yes", you need to contact us immediately to discuss the situation.

   b) Can an announcement be made immediately?

      Please note, if the answer to this question is "no", you need to contact us immediately to discuss requesting a trading halt (see below).

   c) If an announcement cannot be made immediately, why not and when is it expected that an announcemant will be made?

3. If the answer to question 1 is "no", is there any other explanation that the Entity may have for the recent trading in its securities?

4. Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 06:30am WST on 4 December 2013. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Entity's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at dale.allen@asx.com.au and tradinghaltsperth@asx.com.au or by facsimile to 08 9221 2020. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

The obligation of the Entity to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

In responding to this letter, you should have regard to the Entity's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

Trading halt

If you are unable to respond to this letter by the time specified above, or if the answer to question 1 is "yes" and an announcement cannot be made immediately, you should discuss with us whether it is appropriate to request a trading halt in the Entity's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

[Sent electronically without signature]

Dale Allen
Adviser, Listings Compliance (Perth)