

GALAXY RESOURCES LIMITED
ABN 11 071 976 442

CLEANSING PROSPECTUS

For the issue of up to 1000 New Shares to investors at an issue price of \$0.08 per New Share to raise up to \$80 before issue costs.

This Prospectus has been prepared primarily for the purpose of section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares issued by the Company prior to the Closing Date.

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 Shares. If after reading this Prospectus you have any questions about the New Shares being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The New Shares 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This document is not for publication or distribution, directly or indirectly, in or into the United States of America (including its territories and possessions, any state of the US and the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 24 November 2015 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 Shares 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 6**.

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1. DETAILS OF THE OFFER

1.1 Background

(a) Clipper Placement

As announced to the ASX on 29 July 2013, Galaxy Resources Limited (**Galaxy** or the **Company**) entered into an agreement in relation to a subordinated short term unsecured loan facility of \$5 million (subsequently increased to \$7 million) with a lending consortium of largely European based institutional shareholders of the Company through Clipper Group Limited (**Clipper**) (**Subordinated Loan Facility**). As foreshadowed in the Company's 2014 Annual Financial Report lodged on 1 April 2015, the Company extended the Subordinated Loan Facility to 31 March 2016.

As at 23 November 2015, a total amount outstanding under the Subordinated Loan Facility (including accrued and outstanding interest of \$65,515) was A\$4,515,570 (**Outstanding Amount**).

Under the terms of the Subordinated Loan Facility the outstanding loan amount can be converted, at the election of Clipper, into fully paid ordinary shares in the Company at a price of \$0.035 per Share, equating to a total of 129,016,286 Shares based on the Outstanding Amount under the Subordinated Loan Facility (**Clipper Shares**).

On 23 November 2015, the Company received a conversion notice from Clipper for the conversion of the full Outstanding Amount and issued a total of 129,016,286 Shares accordingly (**Clipper Placement**). No funds were raised from the Clipper Placement as the Shares were issued in full repayment of the Outstanding Amount.

(b) OCP Placement

On 24 November 2015, the Company announced that it had entered into a facility agreement with OCP Asia (Hong Kong) Limited, through its affiliate OL Master (Singapore) Pte. Limited (**OCP**) regarding a secured loan facility of up to A\$31 million (**OCP Facility**) (**OCP Facility Agreement**). On 24 November 2015, the Company drew down a sum of A\$31 million under the OCP Facility (**Drawdown Date**).

In accordance with the terms of the OCP Facility Agreement, and in consideration as facility fees for the OCP Facility, Galaxy issued a total of 32,232,909 Shares (representing an aggregate value equal to 8% of the OCP Facility) at a deemed issue price of \$0.07694 (being an amount equal to the daily VWAP of a Share for the 20 trading days immediately before the Drawdown Date) (**OCP Shares**) (**OCP Placement**).

The issue of the Clipper Shares and the OCP Shares (together, the **Placement Shares**) was undertaken without disclosure to investors under Part 6D of the Corporations Act. The Placement Shares rank equally in all respects with the Company's Existing Shares.

1.2 Purpose of the Offer

The purpose of this Offer is primarily to remove any trading restrictions on any Placement Shares that may prevent them from being traded on the ASX. All of the funds raised from the Offer will be applied towards the expenses of the Offer.

1.3 Section 708(11) 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 Clipper and OCP (**Placees**), if they choose to, can sell the Placement Shares within the next 12 months without the issue of a prospectus.

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

1.4 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 \$0.08 per New Share to raise up to \$80 before issue costs.

The New Shares offered under this Prospectus will rank equally with the Existing Shares on issue.

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

1.5 Minimum Subscription

There is no minimum subscription.

1.6 Opening and Closing Dates

The Offer will open on Tuesday, 24 November 2015 and the Closing Date will be Wednesday, 25 November 2015. The Directors reserve the right to close the Offer early or extend the Closing Date (as the case may be), should it be considered by them necessary to do so.

1.7 Applications

This Offer is being extended to investors who are invited by the Company to subscribe for New Shares 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 Shares 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.

1.8 Allotment and Application Money

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

Where the number of New Shares 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 Shares are issued will be held in a special purpose account. After any Application Money is refunded (if relevant) and New Shares 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 Shares Official Quotation, it is expected that the New Shares will be issued on 26 November 2015 and that trading of the New Shares on ASX will commence on 27 November 2015.

1.9 ASX Quotation

Application will be made within seven days of the date of issue of this Prospectus for the New Shares to be granted Official Quotation by ASX.

If the New Shares are not quoted by ASX within three months after the date of this Prospectus, the Company will not allot or issue any New Shares 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 Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares. ASX takes no responsibility for the contents of this Prospectus.

1.10 Offer 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 Offer or otherwise to permit an offering of the securities in any jurisdiction outside Australia and New Zealand.

1.11 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 lodgement of this Prospectus with the ASIC, and the last market sale price on the date before the lodgement date of this Prospectus, are set out below.

	3 months high	3 months low	Last Market Sale Price
Existing Shares	\$0.099 on 9 November 2015	\$0.024 on 16 September 2015	\$0.077 on 24 November 2015

1.12 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 Shares.

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

The CHESS statement will set out the number of New Shares 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 Shares 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.

1.13 Rights and Liabilities attaching to the New Shares

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

A summary of the rights and liabilities attaching to the New Shares is set out in **section 3**.

1.14 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 Shares 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 Offer. Shareholders should, therefore, consult their own professional tax adviser in connection with the taxation implications of the Offer.

1.15 Enquiries

Any queries regarding the Offer should be directed to Mr Simon Robertson, 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 Offer does proceed the \$80 raised from the Offer will be applied towards Offer costs.

2.2 Effect of the Offer on capital structure

The proposed capital structure of the Company following the completion of the Offer (assuming the Offer is fully subscribed) is summarised below.

Details	Number of Shares
Shares on issue at the date of the Prospectus ¹	1,264,433,185
Shares issued pursuant to the Offer	1000
Total fully paid ordinary shares following Offer	1,264,434,185

Note 1: This amount includes the 129,016,286 Clipper Shares and the 32,232,909 OCP Shares that were issued on the date of this Prospectus.

Details	Number of Options
Unlisted options exercisable at \$1.11 with various vesting and expiry dates on issue prior to the Offer (GXYAM)	3,950,000
Unlisted Options exercisable at \$1.16 with various vesting and expiry dates on issue prior to the Offer (GXYAK)	2,900,000
Unlisted Options exercisable at \$0.08 on or before 19 September 2016	12,000,000
Unlisted Options exercisable at \$0.03 on or before 1 April 2018	25,000,000
Options to be issued pursuant to the Offer	Nil
Total Options following Offer	43,850,000

Details	Number of Convertible Bonds
Convertible Bonds (unsecured and subordinated) (GXYAI)	300
Convertible Bonds issued under the Offer	Nil
Total issued Convertible Bonds	300

Details	Number of Share Appreciation Rights
Share Appreciation Rights on the same terms and conditions approved for directors set out in the Notice of Annual General Meeting held on 29 May 2015	34,100,000
Share Appreciation Rights issued under the Offer	Nil
Total issued Share Appreciation Rights	34,100,000

2.3 Statement of Financial Position

The Company does not consider the Offer will have a material effect on the Statement of Financial Position of the Company. As noted above, any funds raised from the Offer will be used towards Offer costs

3. RIGHTS AND LIABILITIES ATTACHING TO NEW SHARES

The following is a summary of the more significant rights and liabilities attaching to New Shares 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 Shares 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. The Directors may determine the dividend payable, fix the amount, and the 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. Subject to the Company's Constitution, the Corporations Act and the ASX Listing Rules, the Directors may determine whether and to what extent the accounting records and other documents of the Company will be open to inspection to Shareholders.

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 Shares. 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 Shares.

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 in lithium exploration and 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

Going Concern

At the date of this Prospectus the Company has \$14 million in cash and convertible bonds with an aggregate face value of \$30 million which have matured. The Company has executed the OCP Facility Agreement which provides a facility of up to \$31 million in funding for a period of three years from the drawdown date. On 24 November 2015, the Company drew down \$31 million under the OCP Facility, which funds will be utilised to repay the convertible bonds plus accrued interest.

The Company's ability to service the new OCP Facility and meet future overhead costs is dependent on cash flows from the Mt Cattlin acquisition and operations and cash on hand. The Company will take steps to reserve cash funds sufficient to cover two years of interest payments on the OCP Facility.

Based on the Company's projected cash flows the Directors are of the opinion that, as at the date of this Prospectus, the Group is a going concern.

Funding Requirements

While the Company has recently raised funds through the sale of the Company's Jiangsu lithium carbonate production facility, the Company will have future capital requirements in order to refinance its bank debt and to fund working capital.

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.

Fluctuations in Spodumene and Tantalum Pricing

Galaxy expects to derive substantially all of its revenue and operating cash flow in the near term, from the sale of spodumene and tantalum from the Mt Cattlin Project. Spodumene and tantalum 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 the product, prices agreed by the world's largest producers with their customers, production costs and capacities of other producers of spodumene and tantalum, utilisation rates at existing production facilities worldwide, the level of competition between producers, technological advancements in the production of spodumene and tantalum and end-uses of the product. 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 spodumene and tantalum prices. If realised product prices fall Galaxy's business, results of operations, financial condition and prospects could be materially adversely affected.

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 those 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.

Exchange Rates

Galaxy is exposed to foreign currency fluctuations with respect to US\$ and A\$. Galaxy's financial results are reported in A\$, Galaxy's operating costs are denominated in A\$, its revenue will be denominated mainly in US\$ and Galaxy's indebtedness is denominated in A\$. Therefore, 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.

Profits and Losses

Although Galaxy reported a profit after income tax for the six months ended 30 June 2015, the Company has in the past recorded losses after income tax 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 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 and tantalum industry is based on many factors, including, among others, price, production capacity, grade, quality and brand name. 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. 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 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 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. 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 fulfil 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.

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:

- (a) economic conditions in Australia and overseas which may have a negative impact on equity capital markets;
- (b) changing investor sentiment in the local and international stock markets;
- (c) changes in domestic or international fiscal, monetary, regulatory and other government policies; and
- (d) 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 Shares 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 which will be issued pursuant to this Prospectus are in the same class as 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 Shares on the Company and the rights attaching to the New Shares. 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 2014 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 2015, 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 31 December 2014 audited financial statements:

Date	Description of Announcement
24/11/2015	Corporate Facility Update
18/11/2015	Change of Director's Interest Notice AT
17/11/2015	Corporate Debt Refinancing
13/11/2015	Trading Halt
12/11/2015	Corporate Debt Reduction
05/11/2015	Ceasing to be a substantial holder
04/11/2015	Appendix 3B
03/11/2015	Change in substantial holding
03/11/2015	Galaxy Resources Investor presentation November 2015
30/10/2015	Quarterly Reports - September 2015
28/10/2015	GMM signs Sales and Distribution Agreement with Mitsubishi
28/10/2015	GMM: signs sales, distribution agreement with Mitsubishi Corp
26/10/2015	Appendix 3B
26/10/2015	Trading Halt
21/10/2015	SAL DE VIDA Project Update
12/10/2015	Response to ASX Price Query
12/10/2015	General Mining Announcement Mt Cattlin
12/10/2015	GMM: Mt Cattlin independent review supports near term prod
08/10/2015	Request for Trading Halt
08/10/2015	Trading Halt
06/10/2015	Appendix 3B - Exchangeable Shares Conversion
30/09/2015	Change in substantial holding
25/09/2015	Response to ASX Query - Price Query
11/09/2015	Half Year Accounts
07/09/2015	GMM: M:Agreements with Galaxy, GMM poised for growth
07/09/2015	Mt Cattlin Definitive Agreement Executed
05/08/2015	Mount Cattlin Mineral Resource and Ore Reserve Update
31/07/2015	Quarterly Reports - June 2015
25/06/2015	Change of Director's Interest Notice MR
25/06/2015	Change of Director's Interest Notice AT
25/06/2015	Change of Director's Interest Notice CW
25/06/2015	Change of Director's Interest Notice GZ

19/06/2015	Appendix 3B
12/06/2015	Change of Share Registry Address
09/06/2015	Mt Cattlin Update Revised Terms with General Mining
09/06/2015	GMM: Mt Cattlin Update - revised terms with Galaxy Resources
03/06/2015	Change of Director's Interest Notice MR
03/06/2015	Change of Director's Interest Notice AT
03/06/2015	Change of Director's Interest Notice CW
03/06/2015	Change of Director's Interest Notice JZ
01/06/2015	Appendix 3B
29/05/2015	Results of Meeting
28/05/2015	Change of Director's Interest Notice AT
26/05/2015	Change of Director's Interest Notice CW
22/05/2015	Response to ASX Price Query
15/05/2015	Change of Director's Interest Notice MR
30/04/2015	Quarterly Reports - March 2015
29/04/2015	Notice of Annual General Meeting/Proxy Form

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 lodgement 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.

The Directors' remuneration for the Company's 2013 and 2014 financial years, together with the current financial year is set out in the table below:

Director	Remuneration for financial year ending 31 December 2013	Remuneration for financial year ending 31 December 2014	Current financial year
Martin Ronald Rowley	N/A (Appointed 28 November 2013)	\$683,750	\$658,051
Anthony Peter Tse	\$324,287	\$975,306	\$1,003,182
Charles Bernard Francis Whitfield	\$324,287	\$974,971	\$860,592

Jian-Nan Zhang	N/A (Appointed 28 November 2013)	\$67,083	\$76,092
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Directors' direct and indirect interests in securities of the Company at the date of this Prospectus are:

Director	Shares	Share Appreciation Rights	Performance Options
Martin Ronald Rowley	14,913,423	8,000,000	-
Anthony Peter Tse	23,518,644	10,000,000	1,000,000
Charles Bernard Francis Whitfield	22,658,644	8,000,000	1,000,000
Jian-Nan Zhang	1,559,322	500,000	-

5.3 Interests and Consents of Experts and Advisers

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 Shares pursuant to this Prospectus; or
- the offer of New Shares 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 Shares pursuant to this Prospectus.

5.4 Estimated Expenses of Offer

The estimated expenses of the Offer 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 Shares, 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 Shares 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 Shares, the Company may not be able to accept or process your application.

5.7 Directors' Consent

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

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



Jian-Nan Zhang

Non-Executive Director

6. GLOSSARY

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

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

Application Form means the application 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 Wednesday, 25 November 2015, 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.

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

Group means the consolidated entity consisting of the Company and the entities it controlled at the end of, or during, the year ended 31 December 2014.

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

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 \$0.08 each to raise up to \$80.

Official Quotation means official quotation on ASX.

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.

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.

7. CORPORATE DIRECTORY

Directors

Mr Martin Ronald Rowley
Mr Anthony Peter Tse
Mr Charles Bernard Francis Whitfield
Mr Jian-Nan Zhang

Share Registry*

Computershare Investor Services Pty Ltd
Level 2
45 St Georges Terrace
Perth WA 6000

Company Secretary

Mr Simon Robertson

Auditors*

Pricewaterhouse Coopers
125 St Georges Terrace
Perth WA 6000

Registered and Principal Office

Level 1
16 Ord Street
West Perth WA 6005

Telephone: +61 (8) 9215 1700
Facsimile: +61 (8) 9215 1799

Website: www.galaxyresources.com.au/

ASX Code: GXY

ABN: 11 071 976 442

**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.*