



29 May 2013

Dear Shareholder,

On 20 May 2013, Galaxy Resources Limited (**Galaxy**) announced its intention to raise up to approximately \$46.7 million (before costs) through a non-renounceable pro rata offer to eligible shareholders of up to 584,355,501 new fully paid ordinary shares (**New Shares**) at an issue price of \$0.08 per New Share on the basis of one (1) New Share for every one (1) existing share held at the record date, and 876,533,252 free attaching new options (**New Options**) on the basis of three (3) New Options for every two (2) New Shares subscribed for (**Offer**).

Patersons Securities Limited (**Patersons**) is the lead manager of the Offer.

#### **Details of the Offer**

The Offer, which will raise up to approximately \$46.7 million, is being made to Eligible Shareholders (as defined below), on the basis of one (1) New Share for every one (1) existing share held at 7.00pm (AEST) on 5 June 2013 (**Record Date**). In addition, participants will receive three (3) New Options exercisable at \$0.08 on or before 31 December 2014 for every two (2) New Shares subscribed for under the Offer.

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

The New Shares to be issued under the Offer will rank equally with the existing Galaxy shares.

Subject to satisfying the requirements for quotation, the New Options will also be tradeable on ASX, enabling New Option holders to, potentially realise value for the New Options through selling them on ASX if they so choose.

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

A prospectus in relation to the Offer was lodged with ASIC and ASX on 27 May 2013 (**Prospectus**) and will be mailed to Eligible Shareholders shortly.

**Eligible Shareholders** are those persons who:

- have a registered address in Australia, New Zealand or Canada;
- are holders of ordinary shares in Galaxy, or exchangeable shares in Galaxy Lithium One Inc., as at 7.00pm (AEST) on 5 June 2013;
- are not in the United States and are not considered to be a US Person (under Regulation S of the United States Securities Act 1933, as amended) and are not acting for the account or benefit of a US Person;
- are eligible under all applicable securities laws to receive the Offer.

#### **Use of Proceeds**

The proceeds of the Offer will be used by the Company for working capital, which includes:

- corporate working capital (including interest payments);
- Offer costs;
- Sal de Vida Lithium and Potash Brine Project costs; and
- debt reduction.

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

### Timetable

The Company expects the Offer to be conducted in accordance with the following timetable:

Event	Date
"Ex" date	30 May 2013
Record Date	7pm AEST, 5 June 2013
Despatch of Prospectus and application forms	12 June 2013
Offer opens	12 June 2013
Offer closes	7pm AEST, 26 June 2013
New Shares and New Options quoted on a deferred settlement basis	27 June 2013
Issue of New Shares and New Options under the Offer	4 July 2013
Despatch of holding statements	5 July 2013
Normal trading of New Shares and New Options	5 July 2013

The above dates are indicative only. The Company, in conjunction with Patersons, reserves the right vary the above dates, subject to ASX Listing Rules and Corporations Act.

### Capital Structure

A table setting out the capital structure of the Company after completion of the Offer, contemplating minimum and full subscription, is set out below (assuming no exercise of options before the Record Date):

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

<sup>1</sup> This is made up of 572,505,144 Shares and 11,850,357 Special Voting Shares (which, effectively, may be voted by the holders of the remaining un-exchanged 11,850,357 Exchangeable Shares in Galaxy Canada). These amounts are aggregated on the basis that ASX has confirmed that the voting rights attached to each Special Voting Share along with each Exchangeable Share (and its associated exchange rights and obligations) together upon and from their issue are to be treated as one Share in Galaxy for the purposes of the ASX Listing Rules. The terms "Special Voting Shares" and "Exchangeable Shares" have the meaning given to those terms in the Prospectus.

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

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

Eligible Shareholders will receive a copy of the Prospectus and application form shortly. You must follow the instructions in the application form to take up your entitlements.

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

A copy of the Prospectus may be viewed on the website of the ASX or alternatively at the Company's website at [www.galaxylithium.com](http://www.galaxylithium.com).

We look forward to your participation in the Offer.

Yours sincerely



Mr Iggy Tan

Managing Director

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