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15 May 2012

GALAXY LITHIUM ONE MERGER INFORMATION CIRCULAR

Galaxy Resources Limited (ASX: GXY, "Galaxy") is pleased to advise that the Special Meeting of Securityholders of Lithium One ("Lithium One") Inc will be held on June 18, 2012. Attached is the Notice of Special Meeting and Management Proxy Circular ("NOM") where resolutions are to be voted on by Lithium One Securityholders relating to the merger of Galaxy and Lithium One as announced to the ASX on March 30, 2012.

The NOM was lodged in Canada by Lithium One at www.sedar.com. Galaxy is also releasing the NOM in Australia for the purpose of facilitating equal dissemination of information in the Canadian and Australian markets and, to the extent necessary, to meet Galaxy's continuous disclosure obligations.

--ENDS--

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About Galaxy (ASX: GXY)

Galaxy Resources Ltd is an Australian-based integrated lithium mining, chemicals and battery company listed on the Australian Securities Exchange (Code: GXY) and is an S&P/ASX 300 Index Company. Galaxy wholly owns the Mt Cattlin project near Ravensthorpe in Western Australia where it mines lithium-bearing pegmatite ore and processes it on site to produce a spodumene (lithium mineral) concentrate and tantalum by-product. At full capacity, Galaxy will be able to process 137,000 tpa of spodumene concentrate and 56,000 lbs per annum of contained tantalum. The spodumene concentrate is shipped as feedstock for Galaxy's wholly-owned Lithium Carbonate Plant in China's Jiangsu province. Once complete, the Jiangsu Plant is expected to produce 17,000 tpa of battery grade lithium carbonate, which, on current global production, would make Galaxy the largest producer of lithium compounds in the Asia Pacific region and the fourth largest in the world.

Galaxy is also advancing plans for a lithium-ion battery plant, to produce 620,000 battery packs per annum for the electric bike (e-bike) market. The Company also has a farm in agreement with Lithium One Inc to acquire up to 70% of the James Bay lithium pegmatite project in Quebec, Canada.

Lithium compounds are used in the manufacture of ceramics, glass, electronics and are an essential cathode material for long life lithium-ion batteries used to power e-bikes and hybrid and electric vehicles. Galaxy is bullish about the current global lithium demand outlook and is positioning itself to achieve its goal of being involved in every step of the lithium supply chain.

Caution Regarding Forward Looking Information.

This document contains forward looking statements concerning Galaxy and Lithium One.

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 (and Lithium One) 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.

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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.

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None of the Canadian securities regulatory authorities nor the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of the proposed arrangement involving Lithium One Inc. and Galaxy Resources Limited, or passed upon the merits or fairness of the arrangement or upon the adequacy or accuracy of the information contained in this notice of special meeting and management proxy circular. Any representation to the contrary is a criminal offence.

ARRANGEMENT

involving

LITHIUM ONE INC.

and

GALAXY RESOURCES LIMITED

and

GALAXY LITHIUM ONE INC.,

a wholly-owned subsidiary of Galaxy Resources Limited

SPECIAL MEETING OF SECURITYHOLDERS OF
LITHIUM ONE INC.
TO BE HELD ON JUNE 18, 2012

NOTICE OF SPECIAL MEETING
AND
MANAGEMENT PROXY CIRCULAR

May 11, 2012

These materials are important and require your immediate attention. They require securityholders of Lithium One Inc. to make important decisions. If you are in doubt as to how to make such decisions, please contact your professional advisors.

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May 11, 2012

Dear Lithium One securityholder,

It is my pleasure to extend to you, on behalf of the board of directors of Lithium One Inc. ("Lithium One"), an invitation to attend a special meeting (the "Meeting") of the shareholders, optionholders and noteholders of Lithium One (together referred to as "Lithium One Securityholders") to be held at Suite 2600 – 595 Burrard Street, Vancouver, British Columbia, V7X 1L3 on June 18, 2012 at 10:00 a.m. (Vancouver time).

At the Meeting, you will be asked to consider and, if thought advisable, approve, a special resolution (the "Arrangement Resolution") with respect to the arrangement (the "Arrangement") involving the acquisition by Galaxy Lithium One Inc. ("Canco"), a wholly-owned subsidiary of Galaxy Resources Limited ("Galaxy"), of all of the outstanding securities of Lithium One (the "Lithium One Common Shares"), pursuant to an arrangement agreement effective as of March 29, 2012, among Lithium One, Galaxy and Canco, as amended on May 4, 2012.

Under the Arrangement, each holder of Lithium One Common Shares (a "Lithium One Shareholder") will be entitled to receive 1.96 ordinary shares of Galaxy ("Galaxy Shares") for each Lithium One Common Share held; each holder of a Lithium One Note (a "Lithium One Noteholder") will be entitled to receive a note of Galaxy (a "Galaxy Note") for each Lithium One Note held; and each holder of a Lithium One Option will be entitled to receive Galaxy Shares for "in the money" Lithium One Options. Certain eligible Lithium One Shareholders may elect to receive all or part of their consideration in the form of exchangeable shares ("Exchangeable Shares") of Canco in place of the Galaxy Shares that they are entitled to pursuant to the Arrangement. See "The Arrangement — Election Procedure for Lithium One Shareholders" in the accompanying management proxy Circular (the "Circular").

Certain Lithium One Shareholders who are resident of Canada for purposes of the *Income Tax Act* (Canada) (the "ITA") or, in the case of a partnership, a partnership that is a "Canadian partnership" for purposes of the ITA, will have the opportunity to elect to receive consideration that includes Exchangeable Shares and to make a valid tax election with Canco to defer all or part of the Canadian income tax on any capital gain that would otherwise arise on an exchange of their Lithium One Common Shares for Galaxy Shares. See "Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders and Lithium One Noteholders" in the Circular.

To become effective, the Arrangement Resolution will require approval of (i) at least two-thirds of the votes cast at the Meeting in person or by proxy by (A) Lithium One Shareholders voting as a single class, (B) Lithium One Shareholders and holders ("Lithium One Optionholders") of options to purchase Lithium One Common Shares ("Lithium One Options") voting together as a single class, (C) holders ("Lithium One Noteholders") of convertible notes of Lithium One (the "Lithium One Notes"), and (ii) a simple majority of the votes cast at the Meeting in person or by proxy by all Lithium One Shareholders voting as a single class excluding the votes cast in respect of Lithium One Common Shares held by certain related parties of Lithium One. See "The Arrangement — Interests of Certain Persons in the Arrangement" in the Circular.

The directors and senior officers of Lithium One, holding in aggregate approximately 13% of the fully diluted share capital of Lithium One, have entered into voting agreements with Galaxy, pursuant to which they have agreed to vote their securities (including Lithium One Options) in favour of the Arrangement, subject to certain exceptions. In addition, as of the date hereof, Lithium One Noteholders, representing 100% of the outstanding Lithium One Notes, have indicated their support for the Arrangement, subject to certain conditions.

The board of directors of Lithium One (the "Lithium One Board") believes that the Arrangement is fair to Lithium One Securityholders and in the best interests of Lithium One. Accordingly, the Lithium One

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Board unanimously approved the Arrangement and recommends that Lithium One Securityholders vote their Lithium One Securities in favour of the Arrangement Resolution. In making its recommendation, the Lithium One Board considered a number of factors as described in the Circular under the heading "The Arrangement — Recommendation of the Lithium One Board".

The accompanying Circular contains a detailed description of the Arrangement and other information relating to Lithium One, Galaxy and Canco, including descriptions of the Galaxy Shares, the Exchangeable Shares and the Galaxy Notes. We urge you to consider carefully all of the information in the Circular. If you require assistance, please consult your financial, legal or other professional advisor.

If you are unable to be present at the Meeting in person, we encourage you to vote by completing the applicable enclosed form of proxy. For Lithium One Shareholders, the form of proxy is printed on blue paper. For Lithium One Optionholders, the form of proxy is printed on yellow paper. For Lithium One Noteholders, the form of proxy is printed on green paper.

Voting by proxy will not prevent you from voting in person if you attend the Meeting but will ensure that your vote will be counted if you are unable to attend. If you are a non-registered holder of Lithium One Common Shares and have received these materials through your broker or through another intermediary, please complete and return the proxy, voting instruction form or other authorization provided to you by your broker or by such other intermediary in accordance with the instructions provided with the proxy or voting instruction form. Failure to do so may result in your Lithium One Common Shares, Lithium One Options and Lithium One Notes not being eligible to be voted at the Meeting. This is an important matter affecting the future of Lithium One and your vote is important regardless of the number of Lithium One Common Shares, Lithium One Options and Lithium One Notes you own. To be eligible for voting at the Meeting, the form of proxy must be returned by mail or by facsimile to Equity Financial Trust Company not later than 10:00 a.m. (Vancouver time) on June 15, 2012, or if the Meeting is adjourned or postponed, prior to 10:00 a.m. (Vancouver time) on the day (other than a Saturday, Sunday or any other holiday in Toronto, Ontario) preceding the date to which the Meeting is adjourned or postponed.

We also encourage Lithium One Securityholders to complete the enclosed letter of transmittal and election form, as applicable. For Lithium One Shareholders, the letter of transmittal and election form is printed on pink paper. For Lithium One Noteholders, the letter of transmittal is printed on white paper. The applicable letters of transmittal, together with the certificate(s) representing your Lithium One Common Shares and/or Lithium One Notes, are to be returned to Equity Financial Trust Company, or any successor depositary (the "Depositary") at the address specified in the letter of transmittal. The letter of transmittal contains other procedural information relating to the Arrangement and should be reviewed carefully. It is recommended that you complete, sign and return the letter of transmittal with accompanying Lithium One Common Share certificate(s) and/or Lithium One Notes to the Depositary as soon as possible. **In order for Lithium One Shareholders to make a valid election as to the consideration that they wish to receive under the Arrangement, they must sign and return the letter of transmittal and election form (printed on pink paper) and make a proper election thereunder and return it with accompanying Lithium One Common Share certificate(s) to the Depositary on or before 4:30 p.m. (Toronto time) on June 15, 2012, being the business day immediately prior to the date of the Meeting or, if the Meeting is adjourned or postponed, such time on the business day immediately prior to the date of such adjourned or postponed meeting (the "Election Deadline").**

Subject to obtaining court and other approvals and satisfaction or waiver of all other conditions precedent, if Lithium One Securityholders approve the Arrangement Resolution, it is anticipated that the Arrangement will be completed in June, 2012.

On behalf of Lithium One, we would like to thank all Lithium One Securityholders for their ongoing support as we prepare to take part in this important event in the history of Lithium One.

Yours truly,

"Paul F. Matysek"

Paul F. Matysek
Chief Executive Officer and Director

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NOTICE OF SPECIAL MEETING
OF SECURITYHOLDERS

NOTICE IS HEREBY GIVEN that a special meeting (the "Meeting") of shareholders ("Lithium One Shareholders"), optionholders ("Lithium One Optionholders") and noteholders ("Lithium One Noteholders") of Lithium One Inc. ("Lithium One") will be held at Suite 2600 – 595 Burrard Street, Vancouver, British Columbia, V7X 1L3 on June 18, 2012 at 10:00 a.m. (Vancouver time) for the following purposes:

1. to consider, pursuant to an order of the Ontario Superior Court of Justice (Commercial List) dated May 9, 2012 and, if thought advisable, to pass, with or without variation, a special resolution (the "Arrangement Resolution"), the full text of which is set forth in Appendix D to the accompanying management proxy Circular (the "Circular"), approving an arrangement (the "Arrangement") pursuant to Section 182 of the *Business Corporations Act* (Ontario) (the "OBCA"), all as more particularly described in the Circular, which resolution, to be effective, must be passed by an affirmative vote of the following:

   (a) at least two-thirds of the votes cast at the Meeting in person or by proxy by (i) Lithium One Shareholders voting as a single class, (ii) Lithium One Shareholders and Lithium One Optionholders voting together as a single class and (iii) Lithium One Noteholders voting together as a single class, and

   (b) a simple majority ("Minority Approval") of the votes cast at the Meeting in person or by proxy by all Lithium One Shareholders excluding votes attaching to Lithium One Common Shares held by (i) any "interested party" to the Arrangement within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* of the Ontario Securities Commission and l'Autorité des marchés financiers (Québec) ("MI 61-101"), (ii) any "related party" of an interested party within the meaning of MI 61-101 (subject to exceptions set out therein), and (iii) any person that is a joint actor with any of the foregoing for the purposes of MI 61-101; and;

2. to act upon such other matters, including amendments to the foregoing, as may properly come before the Meeting or any adjournment(s) or postponement(s) thereof.

NOTES:

(1) Lithium One has fixed May 8, 2012, as the record date for determining those Lithium One Shareholders, Lithium One Optionholders and Lithium One Noteholders entitled to receive notice of and to vote at the Meeting (the "Record Date").

(2) Pursuant to an order of the Ontario Superior Court of Justice (Commercial List) dated May 9, 2012 (the "Interim Order"), registered Lithium One Shareholders have been granted the right to dissent in respect of the Arrangement Resolution. If the Arrangement becomes effective, a registered Lithium One Shareholder who dissents in respect of the Arrangement Resolution (a "Dissenting Lithium One Shareholder") is entitled to be paid the fair value of such Dissenting Lithium One Shareholder's Lithium One Common Shares, provided that such Dissenting Lithium One Shareholder has delivered a written objection to the Arrangement Resolution to Lithium One by 10:00 a.m. (Vancouver time) on June 15, 2012, being the business day preceding the Meeting (or, if the Meeting is postponed or adjourned, the business day preceding the date of the postponed or adjourned Meeting) and has otherwise complied strictly with the dissent procedures described in the Circular, including the relevant provisions of Section

185 of the OBCA (as modified by the Interim Order). This dissent right is described in detail in the accompanying Circular under the heading "Rights of Dissenting Lithium One Shareholders". The text of Section 185 of the OBCA, which will be relevant in any dissent proceeding, is set forth in Appendix I to the Circular. **Failure to comply strictly with the dissent procedures described in the Circular and the Interim Order may result in the loss of any right of dissent. Beneficial owners of Lithium One Common Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only registered owners of Lithium One Common Shares are entitled to dissent.** The obligation of Galaxy to complete the Arrangement is subject, among other matters, to there not having been delivered and not withdrawn notices of dissent in respect of more than 5% of the outstanding Lithium One Common Shares.

(3) To the knowledge of the directors and officers of Lithium One, after reasonable inquiry, the only votes that are to be excluded in determining whether Minority Approval has been obtained are the votes in respect of 5,148,300 Lithium One Common Shares and 2,075,000 Lithium One Options owned or over which control or direction was exercised , in the aggregate, by Mr. Paul Matysek, Chief Executive Officer and director of Lithium One and Mr. Martin Rowley, Chairman and director of Lithium One.

(4) Lithium One Shareholders who are unable to be present in person at the Meeting are requested to date, complete, sign and return the form of proxy (printed on blue paper) in the prepaid envelope provided.

(5) Lithium One Optionholders who are unable to be present in person at the Meeting are requested to date, complete, sign and return the form of proxy (printed on yellow paper) in the prepaid envelope provided.

(6) Lithium One Noteholders who are unable to be present in person at the Meeting are requested to date, complete, sign and return the form of proxy (printed on green paper) in the prepaid envelope provided.

(7) To be effective, proxies must be received before 4:30 p.m. (Toronto time) on June 15, 2012 (or on the last day (other than a Saturday, Sunday or any other holiday in Toronto, Ontario) preceding any adjournment or postponement of the Meeting).

DATED at Toronto, Ontario this 11th day of May, 2012.

BY ORDER OF THE BOARD OF DIRECTORS

"Paul F. Matysek"

Paul F. Matysek
Chief Executive Officer and Director

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MANAGEMENT PROXY CIRCULAR

This management proxy Circular ("Circular") is furnished in connection with the solicitation of proxies by or on behalf of the management of Lithium One Inc. ("Lithium One") for use at the special meeting of shareholders, optionholders and noteholders (together referred to as "Lithium One Securityholders") of Lithium One (the "Meeting") to be held on June 18, 2012 at 10:00 a.m. (Vancouver time) at Suite 2600 – 595 Burrard Street, Vancouver, British Columbia, V7X 1L3 and at any adjournment(s) or postponement(s) thereof for the purposes set forth in the Notice of Meeting.

DEFINED TERMS

This Circular contains defined terms. For a list of the defined terms used herein, see Appendix A to this Circular.

REPORTING CURRENCY AND FINANCIAL INFORMATION

Except as otherwise indicated in this Circular, references to "Canadian dollars", "C$" and "$" are to the currency of Canada, references to "U.S. dollars" or "US$" are to the currency of the United States and references to "Australian dollars" or "A$" are to the currency of Australia.

All financial statements and financial data derived therefrom included or incorporated by reference in this Circular pertaining to Lithium One have been prepared in accordance with International Financial Reporting Standards and all financial statements and financial data derived therefrom included or incorporated by reference in this Circular pertaining to Galaxy, including the unaudited pro forma consolidated financial statements of Galaxy, have been prepared and presented in accordance with International Finance Reporting Standards.

FORWARD-LOOKING STATEMENTS

Certain statements in this Circular, including the documents incorporated by reference herein, are forward-looking statements, including, but not limited to, those relating to the proposed Arrangement, the timing of the closing of the proposed Arrangement, information concerning the combined entity, projected revenues, resource estimates and the potential development of such resources and other statements that are not historical facts. These statements are based upon certain material factors, assumptions and analyses that were applied in drawing a conclusion or making a forecast or projection, including Lithium One's and Galaxy's experience and perceptions of historical trends, current conditions and expected future developments, as well as other factors that are believed to be reasonable in the circumstances. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of Lithium One, Galaxy or the combined entity. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "pro forma", "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts", "seeks", "likely" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be

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accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of material factors, many of which are beyond the control of Lithium One, Galaxy and the combined entity, affect the operations, business, financial condition, performance and results of Lithium One and Galaxy or the combined entity could cause actual results to differ materially from current expectations of estimated or anticipated events or results that may be expressed or implied by such forward-looking statements. These factors include, but are not limited to: the ability of Lithium One, Galaxy and Canco to satisfy the conditions precedent to the Arrangement pursuant to the Arrangement Agreement (including without limitation the receipt of all necessary securityholder approvals); general economic, industry and market segment conditions; changes in applicable environmental, taxation and other laws and regulations, as well as how such laws and regulations are interpreted and enforced; changes in operating risks, including risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations; increased competition; stock market volatility; ability to maintain current and obtain additional financing; industry consolidation; the execution of strategic growth plans; the outcome of legal proceedings; the ability of Lithium One, Galaxy and the combined entity to realize on anticipated synergies or otherwise continue to develop and grow; and management's success in anticipating and managing the foregoing factors, as well as the risks described under "Risk Factors Relating to the Arrangement" in this Circular and "Risk Factors" in Appendix C to this Circular. In making these statements, Lithium One and Galaxy have made assumptions with respect to: expected cash provided by continuing operations; future capital expenditures, including the amount and nature thereof; trends and developments in the mining industry; business strategy and outlook; expansion and growth of business and operations; accounting policies; credit risks; anticipated acquisitions; opportunities available to or pursued by the combined entity; and other matters.

The reader is cautioned that the foregoing list of factors is not exhaustive of the factors that may affect forward-looking statements. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. Although the forward-looking statements contained in this Circular are based upon what management of Lithium One and Galaxy currently believes to be reasonable assumptions, actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits will be derived therefrom. These forward-looking statements are made as of the date of this Circular and, other than as specifically required by law, neither Lithium One nor Galaxy assumes any obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise, except as required by law.

EXCHANGE RATE DATA

The following table sets out the high and low exchange rates for one Canadian dollar expressed in Australian dollars, for each of the periods indicated, the exchange rate at the end of each such period and, the average of such exchange rates for each such period, in each case, based upon the noon buying rates as quoted by the Bank of Canada.

	Four Months Ended April 30, 2012	**Year Ended December 31, 2011**	**2010**	**2009**	**2008**
High	0.9828	1.0300	1.1583	1.2758	1.3291
Low	0.9299	0.9381	0.9823	1.0181	1.0181
Rate at end of period	0.9718	0.9593	0.9823	1.0644	1.1696
Average rate per period	0.9527	0.9798	1.0559	1.1149	1.1129

On May 10, 2012, the exchange rate for one Canadian dollar expressed in Australian dollars based upon the noon exchange rate as quoted by the Bank of Canada was A$.99.

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NOTICE REGARDING INFORMATION

The information contained or incorporated by reference in this Circular concerning Galaxy, including with respect to its directors, officers and affiliates, is based solely upon information provided to Lithium One by Galaxy or upon publicly available information. With respect to this information, the Lithium One Board has relied exclusively upon Galaxy, without independent verification by Lithium One.

Information in this Circular is given as at May 11, 2012 unless otherwise indicated and except for information contained in the documents incorporated herein by reference, which is given as at the respective dates stated therein.

No person is authorized to give any information or make any representation not contained or incorporated by reference in this Circular and, if given or made, such information or representation should not be relied upon as having been authorized. This Circular does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation of an offer or proxy solicitation. Neither delivery of this Circular nor any distribution of the securities referred to in this Circular will, under any circumstances, create an implication that there has been no change in the information set forth herein since the date of this Circular.

NOTICE TO U.S. LITHIUM ONE SHAREHOLDERS

Securities issued in the Arrangement have not and will not be registered under the United States Securities Act of 1933 (the "1933 Act") or the securities laws of any state of the United States. Such securities will instead be issued in reliance upon the exemption provided by Section 3(a)(10) of the 1933 Act, on the basis of approval of the Court, and applicable exemptions under state securities laws. Securities issued under the Arrangement will be freely transferable under United States federal securities laws, except for securities held by persons who are deemed to be "affiliates" of Galaxy at the time of any resale of such securities. Such securities held by "affiliates" may be resold by them only in transactions permitted by the resale provisions of Rule 144 promulgated under the 1933 Act or as otherwise permitted under the 1933 Act. See "Regulatory Matters — United States Securities Law Matters".

The solicitation and transactions contemplated herein are made by Lithium One, a foreign issuer incorporated under the laws of Canada that has prepared this Circular in accordance with the disclosure requirements of Canada. This solicitation of proxies is not subject to the requirements of Section 14(a) of the Securities Exchange Act. Accordingly, Lithium One Securityholders resident in the United States should be aware that, in general, such Canadian disclosure requirements are different from those applicable to proxy statements, prospectuses or registration statements prepared in accordance with U.S. laws. **The financial statements of Lithium One incorporated by reference herein have been prepared in accordance with International Financial Reporting Standards, and are subject to Canadian generally accepted auditing standards. The financial statements of Galaxy included or incorporated by reference in this Information Circular, including pro forma financial statements, have been prepared in accordance with International Financial Reporting Standards.**

Lithium One's audited and unaudited financial statements and other financial information included or incorporated by reference in this Circular have been prepared in accordance with International Financial Reporting Standards, and are subject to Canadian auditing and auditor independence standards, which differ from U.S. generally accepted accounting principles and United States auditing and auditor independence standards in certain material respects. Similarly, Galaxy's audited and unaudited financial statements and other financial information pertaining to Galaxy included or incorporated by reference in this Circular have been prepared in accordance with International Financial Reporting Standards. Consequently, such financial statements and other financial information are not comparable in all respects to financial statements prepared in accordance with U.S. generally accepted accounting principles and that are subject to United States auditing and auditor independence standards. Likewise, pro forma information concerning the assets of Lithium One has been prepared in accordance with Canadian standards and may not be comparable in all respects to similar information for United States companies.

Lithium One Shareholders resident in the United States should be aware that the Arrangement described herein may have tax consequences both in the United States and in Canada. Such consequences for Lithium One Shareholders may not be described fully herein. For a general discussion of the Canadian federal income tax consequences to

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investors who are resident in the United States, see "Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders and Lithium One Noteholders — Lithium One Shareholders Not Resident in Canada". For the United States federal income tax consequences to investors who are resident in the United States, see "Certain United States Federal Income Tax Considerations". United States holders are urged to consult their own tax advisors with respect to such Canadian and United States federal and state income tax consequences.

The enforcement by investors of civil liabilities under the United States securities laws may be affected adversely by the fact that Lithium One and Galaxy are organized under the laws of a jurisdiction other than the United States, that some of its officers and directors are residents of countries other than the United States, that some or all of the experts named in the Circular may be residents of countries other than the United States, or that all or a substantial portion of the assets of Lithium One and such persons are located outside the United States. As a result, it may be difficult or impossible for Lithium One Shareholders in the United States to effect service of process within the United States upon Lithium One and Galaxy and their directors and officers, or to realize, against them, upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States. In addition, Lithium One Shareholders in the United States should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States.

THE GALAXY SHARES AND EXCHANGEABLE SHARES ISSUABLE PURSUANT TO THE ARRANGEMENT ARE BEING ISSUED PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE 1933 ACT AND THEY HAVE NOT BEEN REGISTERED OR OTHERWISE QUALIFIED FOR DISTRIBUTION UNDER U.S. SECURITIES LAWS OR THE LAWS OF ANY OTHER JURISDICTION OUTSIDE OF CANADA. For a discussion of regulatory issues relating to United States Lithium One Shareholders, see "Regulatory Matters — United States Securities Law Matters".

THE GALAXY SHARES AND EXCHANGEABLE SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES COMMISSION NOR HAS THE SEC OR ANY STATE SECURITIES COMMISSION OR REGULATORY COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Information concerning the properties and operations of Lithium One and Galaxy has been prepared in accordance with the requirements of Canadian and Australian securities laws, which differ from the requirements of United States securities laws. Unless otherwise indicated, all mineral reserve and mineral resource estimates included or incorporated by reference in this Circular have been prepared in accordance with the JORC Code and NI 43-101, as applicable. Each of the JORC Code and NI 43-101 are rules developed by the Australian and Canadian Securities Administrators, respectively, which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects.

Australian and Canadian standards, including the JORC Code and NI 43-101, differ significantly from the requirements of the SEC, and mineral reserve and mineral resource information contained or incorporated by reference in this Circular may not be comparable to similar information disclosed by United States companies. In particular, and without limiting the generality of the foregoing, the term "resource" does not equate to the term "reserve". Under United States standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. The SEC's disclosure standards normally do not permit the inclusion of information concerning "measured mineral resources", "indicated mineral resources" or "inferred mineral resources" or other descriptions of the amount of mineralization in mineral deposits that do not constitute "reserves" by United States standards in documents filed with the SEC. United States investors should also understand that "inferred mineral resources" have a great amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that all or any part of an "inferred mineral resource" will ever be upgraded to a higher category. Under Canadian rules, estimates of "inferred mineral resources" may not form the basis of feasibility or pre-feasibility studies except in rare cases. Disclosure of "contained tonnes" in a mineral resource

estimate is permitted disclosure under NI 43-101 provided that the grade or quality and the quantity of each category is stated; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in place tonnage and grade without reference to unit measures. The requirements of NI 43-101 (or the JORC Code) for identification of "reserves" are also not the same as those of the SEC, and reserves reported in compliance with NI 43-101 (or the JORC Code) may not qualify as "reserves" under SEC standards. Accordingly, information contained in this Circular and the documents incorporated by reference herein containing descriptions of mineral deposits may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the U.S. federal securities laws and the rules and regulations thereunder.

NOTICE TO ALL LITHIUM ONE SECURITYHOLDERS

Galaxy is incorporated under the laws of a foreign jurisdiction, and most of the directors and officers of Galaxy reside outside of Canada. All of the assets of these persons and Galaxy may be located outside Canada. Galaxy has appointed Fasken Martineau DuMoulin LLP, 333 Bay Street, Suite 2400, Bay Adelaide Centre, Box 20, Toronto, ON, M5H 2T6 as its agent for service of process in Canada, but it may not be possible for investors to effect service of process within Canada upon all of the directors and officers referred to above. It may also not be possible to enforce against Galaxy and its directors and officers judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada. In addition, the rights of a shareholder of an Australian corporation differ from the rights of a shareholder of an OBCA corporation. See Appendix B to the Circular for a summary comparison of the rights of Lithium One Shareholders and Galaxy Shareholders.

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QUESTIONS AND ANSWERS ABOUT THE MEETING AND THE ARRANGEMENT

The following is a summary of certain information contained in or incorporated by reference into this Circular, together with some of the questions that you, as a Lithium One Securityholder, may have and answers to those questions. You are urged to read the remainder of the Circular, the forms of proxy and the letters of transmittal and election form carefully, because the information contained below is of a summary nature and therefore is not complete, and is qualified in its entirety by the more detailed information contained elsewhere in or incorporated by reference into this Circular, the form of proxy, the letter of transmittal and election form and the attached Appendices, all of which are important and should be reviewed carefully. Capitalized terms used in these Questions and Answers but not otherwise defined herein have the meanings set forth in Appendix A to this Circular.

Q: Does the Lithium One Board support the Arrangement?

A: Yes. The Lithium One Board has unanimously determined (i) that the Arrangement is fair to Lithium One Securityholders and in the best interests of Lithium One, (ii) that Lithium One should enter the Arrangement Agreement, and (iii) to recommend to Lithium One Securityholders to vote FOR the Arrangement Resolution.

In making its recommendation, the Lithium One Board considered a number of factors as described in the Circular under the heading "The Arrangement — Recommendation of the Lithium One Board", including opinions of BMO Capital Markets (as financial advisor to the Lithium One Board) which determined that, as of the date of such opinions and subject to the assumptions, limitations and qualifications stated in such opinions, including in the case of the first opinion that Galaxy complete a proposed equity financing, and the adjustment to the exchange ratio, the consideration offered to Lithium One Shareholders pursuant to the Arrangement is fair, from a financial point of view, to such Lithium One Shareholders.

See "The Arrangement — Background to the Arrangement".

Q: When will the Arrangement become effective?

A: Subject to obtaining Court and other approvals as well as the satisfaction of all other conditions precedent, if Lithium One Securityholders approve the Arrangement Resolution, it is anticipated that the Arrangement will be completed on or about June 27, 2012.

Q: What will I receive for my Lithium One Common Shares under the Arrangement?

A: If the Arrangement is completed, each Lithium One Shareholder will be entitled to receive 1.96 Galaxy Shares. Certain eligible Lithium One Shareholders may make a Consideration Election to receive all or a part of their consideration in the form of exchangeable shares ("Exchangeable Shares") of Canco in place of the Galaxy Shares. See "The Arrangement – Election Procedure for Lithium One Shareholders" and "The Arrangement — Description of the Arrangement".

Q: If I am a Lithium One Shareholder, how do I elect to receive my consideration under the Arrangement?

A. Each Lithium One Shareholder, registered as a holder of Lithium One Common Shares prior to the Election Deadline, being 4:30 p.m. (Toronto time) on June 15, 2012 (being the business day immediately prior to the date of the Meeting or, if the Meeting is adjourned or postponed, such time on the business day immediately prior to the date of such adjourned or postponed Meeting) will have the right to make a Consideration Election in the letter of transmittal and election form (printed on the pink paper) properly completed and delivered to the Depositary to receive the consideration set out below depending on whether the Lithium One Shareholder is an Eligible Holder. An "Eligible Holder" is a Lithium One Shareholder who is (i) a person who is a resident of Canada for purposes of the ITA or, in the case of a partnership, a

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partnership that is a "Canadian partnership" for purposes of the ITA, and (ii) not exempt from tax under Part I of the ITA or, in the case of a partnership, a partnership none of the partners of which is exempt from tax under Part I of the ITA.

Non-Eligible Holders

Each Lithium One Shareholder who is not an Eligible Holder will only receive, in respect of each Lithium One Common Share held by such person, 1.96 Galaxy Shares.

Eligible Holders

Each Lithium One Shareholder who is an Eligible Holder may make a Consideration Election, in respect of each Lithium One Common Share held by such person, to receive 1.96 Galaxy Shares or 1.96 Exchangeable Shares or some combination thereof.

Lithium One Shareholders who are Eligible Holders wishing to obtain a full or partial Canadian tax deferral in respect of the transfer of their Lithium One Common Shares must make a Consideration Election to receive Exchangeable Shares as consideration.

Q. What will happen to my Lithium One Options under the Arrangement?

A: Under the terms of the Arrangement, all Lithium One Options that are "in the money", based on the exchange ratio as described in the Arrangement Agreement, and not exercised prior to the Effective Time will, at the Effective Time, be exchanged for such number of Galaxy Shares based on the exchange ratio of 1.96 Galaxy Shares for each Lithium One Common Share as is equal to the "in the money" amount of such Lithium One Options in each case as determined based on a Lithium One Common Share having a value of $1.55.

Q. What will happen to my Lithium One Notes under the Arrangement?

A: Under the terms of the Arrangement, all Lithium One Notes outstanding as at the Effective Time will be exchanged for a convertible note of Galaxy (the "Galaxy Notes"), with each Galaxy Note having the same aggregate principal amount as the Lithium One Notes so exchanged, and all Lithium One Notes will expire and terminate in full on the Effective Date.

Subject to certain exceptions described under the heading "Description of Galaxy Notes", Galaxy Notes issuable to the Lithium One Noteholders shall contain substantially the same terms and conditions as the Lithium One Notes, except that (a) each Galaxy Note, pursuant to the terms thereof, will be exchangeable for Galaxy Shares and warrants to acquire Galaxy Shares ("Galaxy Warrants") up to and including October 29, 2012, with an exercise price per Galaxy Warrant to be adjusted in accordance with the exchange ratio as described in the Arrangement Agreement, and (b) the Lithium One Notes provide that in the event of a change of control of Lithium One, Lithium One shall make an offer to each Lithium One Noteholder to purchase the Lithium One Notes at a price equal to 110% of the principal amount of the note. The Galaxy Notes will not contain this latter provision.

Q: As a Lithium One Shareholder, what are the Canadian federal income tax consequences of the Consideration Elections that I make with respect to the Arrangement?

A: Lithium One Shareholders who are residents of Canada for purposes of the ITA (other than Eligible Holders discussed below) will realize a taxable disposition of their Lithium One Common Shares under the Arrangement based on the fair market value of the Galaxy Shares received as consideration.

Lithium One Shareholders who are Eligible Holders may make a Consideration Election to receive as consideration Exchangeable Shares (and the Ancillary Rights). The exchangeable share structure is designed to provide an opportunity for such Eligible Holders who make a valid tax election to defer all or

part of the Canadian income tax on any capital gain that would otherwise arise on an exchange of their Lithium One Common Shares for Galaxy Shares under the Arrangement. Such income tax deferral will exist until the Eligible Holder disposes of the Exchangeable Shares. See "Description of Exchangeable Shares and Related Agreements".

Lithium One Shareholders who are not residents of Canada for purposes of the ITA, and whose Lithium One Common Shares do not constitute "taxable Canadian property" as defined in the ITA, will not be subject to taxation under the ITA on the disposition of their Lithium One Common Shares under the Arrangement.

See "Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders and Lithium One Noteholders".

Q: As a Lithium One Optionholder or Lithium One Noteholder, what are the Canadian federal income tax consequences of the Arrangement?

A: Lithium One Optionholders who are residents of Canada for the purposes of the ITA will be required to include in their income from employment, the fair market value of the Galaxy Shares received on disposition of their Lithium One Options. Such Lithium One Optionholders may be able to deduct one-half of such amount included in income, provided certain conditions are met.

Lithium One Optionholders who are not residents of Canada for the purposes of the ITA should consult their own advisors with respect to the Canadian income tax consequences of the disposition of such Lithium One Options.

Lithium One Noteholders who are residents of Canada for the purposes of the ITA will realize a taxable disposition of their Lithium One Notes under the Arrangement based on the fair market value of the Galaxy Notes received as consideration.

Lithium One Noteholders who are not residents of Canada for the purposes of the ITA will not be subject to taxation under the ITA on the disposition of their Lithium One Notes under the Arrangement.

See "Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders and Lithium One Noteholders" and "Certain Canadian Federal Income Tax Considerations for Lithium One Optionholders".

Q: What are the United States federal income tax consequences of the Arrangement to Lithium One Shareholders?

A: The exchange of Lithium One Common Shares for Galaxy Shares pursuant to the Arrangement will be a taxable transaction for U.S. Holders. Accordingly, Lithium One Shareholders that are U.S. Holders and that exchange their Lithium One Common Shares for Galaxy Shares will generally recognize capital gain or loss on such exchange equal to the difference between the "amount realized" and the U.S. Holder's aggregate adjusted tax basis in the Lithium One Common Shares exchanged. The "amount realized" will equal the fair market value of the Galaxy Shares received by such U.S. Holder. If Lithium One was a PFIC at any time during a U.S. Holder's holding period for the Lithium One Common Shares, any gain recognized may be treated as ordinary income and any tax due may include an interest charge. Lithium One expects to be a PFIC for the tax year in which the Arrangement occurs.

All U.S. Holders of Lithium One Common Shares are urged to consult their own tax advisors regarding the specific U.S. federal income tax consequences of the Arrangement that are applicable to them. No advance income tax ruling has been sought or obtained with respect to the Arrangement.

See "Certain United States Federal Income Tax Considerations" for the definitions of the terms "U.S. Holder" and "PFIC", and for a general summary of certain material U.S. federal income tax considerations arising from the Arrangement, which qualifies the information set forth above.

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Q: What are the Australian federal income tax consequences of disposing of any Galaxy Shares that I receive under the Arrangement?

A: A holder of a Galaxy Share who is not a resident of Australia and who does not acquire, hold or dispose of Galaxy Shares in Australia or in connection with a business carried on in Australia should not be subject to any Australian income or capital gains tax on a profit or gain from the disposal of Galaxy Shares, provided that, in the case of ordinary income tax, the profit does not have an Australian source and, in the case of capital gains tax, the holder of Galaxy Shares and its associates do not at any time hold or have the right to acquire 10% or more of the voting rights in or rights to distribution of income or capital from Galaxy.

Whether a profit or gain from the disposal of Galaxy Shares would potentially be subject to the ordinary income tax rules at all (so as to make the question of source relevant) will depend on the circumstances of the particular non-resident holder. The application of the source rules depends heavily on the particular facts and circumstances of each case, and can be uncertain. Even if a profit from the disposal of Galaxy Shares by a non-resident holder was to have an Australian source it would be necessary for the non-resident holder to determine whether there is an applicable double tax treaty between Australia and the country of which the non-resident holder is a resident that may prevent or limit Australia's right to tax a profit in the particular facts and circumstances of the non-resident holder.

For a Canadian resident holder of Galaxy Shares who does not acquire, hold or dispose of Galaxy Shares in Australia or in connection with a business carried on in Australia, the Canada-Australia double tax treaty would normally protect the Canadian resident holder of Galaxy Shares from ordinary income tax on the disposal of Galaxy Shares (but not from capital gains tax).

See "Certain Australian Federal Income Tax Considerations" for further details.

Q: What will happen to Lithium One if the Arrangement is completed?

A: If the Arrangement is completed, Canco will acquire all of the Lithium One Common Shares and Lithium One will become an indirect subsidiary of Galaxy. Canco and Lithium One intend to have the Lithium One Common Shares de-listed from the TSX-V and Lithium One will apply to cease to be a reporting issuer (or the equivalent) in all jurisdictions in Canada. See "Effect of the Arrangement on Markets and Listings".

If the Arrangement is completed, Galaxy and Canco will be reporting issuers (or the equivalent) in British Columbia, Alberta, Ontario and Québec and will be required to comply with Canadian statutory financial and other continuous disclosure and timely reporting requirements, including the requirement for insiders of Galaxy to file reports with respect to trades of Galaxy and Canco securities. If the Arrangement is completed, Galaxy and Canco will be required to create a profile on SEDAR where all such financial and other continuous disclosure will be made available.

Q: Will the Galaxy Shares and the Exchangeable Shares be listed on a stock exchange?

A: Only Galaxy Shares will be listed for trading on the ASX.

Q: What approvals are required to be given by Lithium One Securityholders at the Meeting?

A: To become effective, the Arrangement Resolution will require approval of (i) at least two-thirds of the votes cast at the Meeting in person or by proxy by (A) Lithium One Shareholders voting as a single class, (B) Lithium One Shareholders and Lithium One Optionholders voting together as a single class, and (C) Lithium One Noteholders voting together as a single class; and (ii) a simple majority of the votes cast at the Meeting in person or by proxy by all Lithium One Shareholders voting as a single class excluding the votes cast in respect of Lithium One Common Shares held by Mr. Paul Matysek, Chief Executive Officer and director of Lithium One and Mr. Martin Rowley, director of Lithium One or by their joint actors or related parties.

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The directors and senior officers of Lithium One, holding in aggregate approximately 13% of the fully diluted share capital of Lithium One, have entered into voting agreements with Galaxy, pursuant to which they have agreed, subject to certain exceptions, to vote their securities (including Options) in favour of the Arrangement. In addition, as of the date hereof, Lithium One Noteholders representing 100% of the outstanding Notes, have indicated their support for the Arrangement, subject to certain conditions.

Q: Are Lithium One Shareholders entitled to dissent rights?

A: Under the Interim Order, Lithium One Shareholders are entitled to dissent rights only if they follow the procedures specified in the OBCA, as modified by the Interim Order. If you wish to exercise dissent rights, you should review the requirements summarized in the Circular carefully and consult with legal counsel. See "Rights of Dissenting Lithium One Shareholders".

Q: What other conditions must be satisfied to complete the Arrangement?

A: In addition to the applicable approvals by Lithium One Securityholders at the Meeting, the Arrangement is conditional upon, among other things, the performance, by each of Lithium One and Galaxy, of all obligations under the Arrangement Agreement and the receipt of, among other things, approval for the listing of the Galaxy Shares issuable to the Lithium One Securityholders pursuant to the Arrangement on the ASX, approval of the Galaxy Shareholders, the Final Order from the Court and all other applicable waivers and consents required, all in accordance with the terms of the Arrangement Agreement. See "The Arrangement Agreement – Conditions".

Q: What will happen if the Arrangement Resolution is not approved or the Arrangement is not completed for any reason?

A: If the Arrangement Resolution is not approved or the Arrangement is not completed for any reason, the Arrangement Agreement may be terminated. If this occurs, Lithium One will continue to carry on its business operations in the normal and usual course. See "Risk Factors Relating to the Arrangement". In certain circumstances, Lithium One will be required to pay to Galaxy a termination fee of $3,000,000 (the "Termination Fee") or reimburse Galaxy for certain of its expenses. See "The Arrangement Agreement — Termination Fee and Reimbursement of Expenses".

Q: What do I need to do now?

A: You should carefully read and consider the information contained in this Circular. Lithium One Securityholders should then complete, sign and date the enclosed form of proxy (printed on blue paper for Lithium One Shareholders, printed on yellow paper for Lithium One Optionholders and printed on green paper for Lithium One Noteholders) and return the applicable form in the enclosed return envelope or by facsimile as indicated in the Notice of Meeting as soon as possible so that your Lithium One Common Shares, Lithium One Options and Lithium One Notes may be represented at the Meeting. To be eligible for voting at the Meeting, the form of proxy must be returned by mail or by facsimile to the Depositary not later than 10:00 a.m. (Vancouver time) on June 15, 2012, or if the Meeting is adjourned or postponed, prior to 10:00 a.m. (Vancouver time) on the day (other than a Saturday, Sunday or any other holiday in Toronto, Ontario) preceding the date to which the Meeting is adjourned or postponed. See "General Information Concerning the Meeting and Voting — Appointment of Proxyholder".

Q: If my Lithium One Common Shares are held in street name by my broker, will my broker vote my Lithium One Common Shares for me?

A: A broker will vote the Lithium One Common Shares held by you only if you provide instructions to your broker on how to vote. Without instructions, those Lithium One Common Shares will not be voted. Lithium One Shareholders should instruct their brokers to vote their Lithium One Common Shares by following the directions provided to them by their brokers. Unless your broker gives you its proxy to vote the Lithium One Common Shares at the Meeting, you cannot vote those Lithium One Common Shares owned by you at

the Meeting. See "General Information Concerning the Meeting and Voting — Explanation of Voting Rights for Beneficial Owners of Lithium One Common Shares".

Q: Should I send in my letter of transmittal and election form and Lithium One Common Share certificates and Lithium One Notes now?

A: Yes. It is recommended that (i) all Lithium One Shareholders complete, sign and return the letter of transmittal and election form (printed on pink paper) with accompanying Lithium One Common Share certificate(s) to the Depositary and (ii) all Lithium One Noteholders complete, sign and return the letter of transmittal (printed on white paper) with accompanying Lithium One Notes, to the Depositary as soon as possible.

In order for Lithium One Shareholders to make a valid Consideration Election as to the consideration that they wish to receive under the Arrangement they must sign and return the letter of transmittal and election form (printed on pink paper) and make a proper Consideration Election thereunder and return it with accompanying Lithium One Common Share certificate(s) to the Depositary on or before the Election Deadline, being 4:30 p.m. (Toronto time) on June 15, 2012, being the business day immediately prior to the date of the Meeting or, if the Meeting is adjourned or postponed, such time on the business day immediately prior to the date of such adjourned or postponed meeting. If you fail to make a proper Consideration Election by the Election Deadline, you will be deemed to have elected to receive 1.96 Galaxy Shares for each Lithium One Common Share held.

See "The Arrangement – Election Procedure".

Q: Should I send in my proxy now?

A: Yes. To ensure the Arrangement Resolution is passed, you need to complete and submit the applicable enclosed form of proxy (printed on blue paper for Lithium One Shareholders, printed on yellow for Lithium One Optionholders and printed on green paper for Lithium One Noteholders) or, if applicable, provide your broker with voting instructions. See "General Information Concerning the Meeting and Voting — Appointment of Proxyholder; Explanation of Voting Rights for Beneficial Owners of Lithium One Common Shares".

Q. When will I receive the consideration payable to me under the Arrangement for my Lithium One Common Shares, Lithium One Options and/or Lithium One Notes?

A. You will receive the consideration due to you under the Arrangement promptly after the Arrangement Resolution is approved, Court and other approvals have been obtained, the Arrangement becomes effective and your letter of transmittal and election form and Lithium One Common Share certificate(s) and Lithium One Notes and all other required documents are properly completed and received by the Depositary as the case may be. See "The Arrangement — Procedure for Arrangement to Become Effective".

Q. What happens if I send in my Lithium One Common Share certificates and Lithium One Notes and the Arrangement Resolution is not approved or the Arrangement is not completed?

A. If the Arrangement Resolution is not approved or if the Arrangement is not otherwise completed, your Lithium One Common Share certificates and Lithium One Notes will be returned promptly to you by the Depositary or Lithium One, as the case may be.

Q: How do I participate in the Share Sale Facility?

A: To participate in the Share Sale Facility you must be a (i) Lithium One shareholder whose address as shown in the register of shareholders of Lithium One at the Effective Time is in Canada, Australia or the United States or (ii) be a holder of Exchangeable Shares, and (A) return the letter of transmittal and election form to the Depositary before the Facility Expiry Date, in the case of Lithium One Shareholders who make

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a Consideration Election to receive Galaxy Shares or (B) return the Retraction Request to Canco prior to the Facility Expiry Date, in the case of Lithium One Shareholders who make a Consideration Election to receive Exchangeable Shares.

Q: What will happen to my Galaxy Shares if I elect to participate in the Share Sale Facility?

A: The Share Sale Facility provides Eligible Participants with the option to voluntarily make the Facility Election to sell some or all of the Galaxy Shares which they are entitled to receive under the Arrangement or which they are entitled to receive upon exchange of Exchangeable Shares under the facility without incurring brokerage costs. Under the terms of the Share Sale Facility an execution-only broker will be appointed to execute the sale of Galaxy Shares on behalf of Eligible Participants that make the Facility Election to participate in the Share Sale Facility. Subject to certain conditions, Galaxy Shares will be sold under the Share Sale Facility within four weeks of the issue of those shares following a Facility Election. See "Share Sale Facility". Sales under the Share Sale Facility will occur at the market price and sale proceeds will be converted at a foreign exchange rate from $AUD into $CAD. See "Risk Factors - The sale of Galaxy Shares under the Share Sale Facility will be at the market price and subject to exchange rate risk".

Q: Can I change my vote after I have voted by proxy?

A: Yes. A Lithium One Securityholder executing the applicable enclosed form of proxy has the right to revoke it under subsection 110(4) of the OBCA. A Lithium One Securityholder may revoke a proxy by depositing an instrument in writing executed by him or her, or by his or her attorney authorized in writing, at the registered office of Lithium One at any time up to and including the last day (other than a Saturday, Sunday or other holiday in Toronto, Ontario) preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting prior to the Meeting, or any adjournment thereof, or in any other manner permitted by law.

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SUMMARY OF CIRCULAR

The following is a summary of certain information contained elsewhere in, or incorporated by reference into, this Circular, including the Appendices hereto. Certain capitalized terms used in this summary are defined in the Glossary of Defined Terms or elsewhere in this Circular. This summary is qualified in its entirety by the more detailed information appearing elsewhere, or incorporated by reference into, this Circular.

Purpose of the Meeting

The purpose of the Meeting is for Lithium One Securityholders to consider and, if thought advisable, pass, with or without variation, the Arrangement Resolution to approve the Arrangement under Section 182 of the OBCA.

Date, Time and Place

The Meeting will be held at Suite 2600 – 595 Burrard Street, Vancouver, British Columbia, V7X 1L3 on June 18, 2012 at 10:00 a.m. (Vancouver time).

Lithium One Securityholder Approval of Arrangement Resolution

The Lithium One Board recommends that Lithium One Securityholders vote their Lithium One Securities in favour of the Arrangement Resolution. To be effective, the Arrangement Resolution must be approved, with or without variation, by (i) the affirmative vote of at least two-thirds of the votes cast on the Arrangement Resolution by (A) Lithium One Shareholders voting as a single class, (B) Lithium One Shareholders and Lithium One Optionholders voting together as a single class, and (C) Lithium One Noteholders voting together as a single class, in each case present in person or represented by proxy at the Meeting, and (ii) Minority Approval.

The Arrangement Resolution must be passed in order for Lithium One to seek the Final Order and implement the Arrangement on the Effective Date in accordance with the Final Order.

See "The Arrangement — Lithium One Securityholder Approval".

Effects of the Arrangement

If the Arrangement Resolution is passed and all of the other conditions to closing of the Arrangement are satisfied, Canco will acquire all of the outstanding Lithium One Common Shares in exchange for Galaxy Shares and/or Exchangeable Shares (or a combination thereof) to be issued to the Lithium One Shareholders. Thereupon, Lithium One will become an indirect subsidiary of Galaxy.

See "The Arrangement — Description of the Arrangement".

Description of the Arrangement

If approved, the Arrangement will become effective at the Exchange Time (which is expected to be at 12:01 a.m. (Toronto time) on or about June 27, 2012, but in any case, not later than August 31, 2012, or such later date as may be agreed by the parties). Commencing at the Effective Time on the Effective Date, subject to the terms and conditions of the Arrangement Agreement, the following steps shall occur as part of the Arrangement and shall be deemed to occur in the following sequence without any further act or formality:

1. Pursuant to the Arrangement Agreement, at the Effective Time, each Lithium One Option shall be exchanged for that number of Galaxy Shares per Lithium One Option equal to the product determined by multiplying 1.96 by the quotient of (a) the positive difference between $1.55 and the exercise price of such Lithium One Option divided by (b) $1.55;

2. At the Effective Time, any Lithium One Options which are not "in-the-money" shall immediately expire and be terminated without any consideration therefor;

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3. At the Effective Time, the holder of the 250,000 Target Compensation Warrants (as defined in the Arrangement Agreement) shall receive, in respect of each such Target Compensation Warrant a fraction of a Lithium One Common Share, with such fraction being calculated according the formula the numerator of which shall be equal to the difference between $1.55 and the exercise price for such Target Compensation Warrant and the denominator of which shall be equal to $1.55. For greater certainty, all Target Compensation Warrants will expire and terminate on the Effective Date;

4. Five minutes after the Effective Time, each issued and outstanding Lithium One Share (other than Lithium One Common Shares held by Galaxy or an affiliate thereof or by Dissenting Shareholders) held by a Lithium One Shareholder shall be exchanged with Canco for either the Galaxy Share Consideration or the Exchangeable Share Consideration (or a combination thereof, as described below);

5. Five minutes after the Effective Time, Galaxy, Canco and Callco shall execute the Support Agreement and Galaxy, Canco and the Transfer Agent shall execute the Voting and Exchange Trust Agreement and Galaxy shall issue to and deposit with the Transfer Agent the Special Voting Shares in consideration of the payment to Galaxy by Lithium One on behalf of the Lithium One Shareholders of one dollar (C$1.00), to be thereafter held on record by the Transfer Agent as trustee for and on behalf of, and for the use and benefit of, the holders of the Exchangeable Shares in accordance with the Voting and Exchange Trust Agreement.

6. Five minutes after the Effective Time, Lithium One shall pay to the holders of the Lithium One Notes all interest accrued on the Lithium One Notes to and including the Effective Date and immediately thereafter each Lithium One Note shall be exchanged for a Galaxy Note; and

7. Each of Mr. Paul Matysek and Mr. Martin Rowley shall be appointed as directors of Galaxy.

See "The Arrangement — Description of the Arrangement".

Lithium One

Lithium One is a corporation existing under the OBCA, and is a Canadian-based resource company whose focus is to explore and develop lithium mineral deposits throughout the world. These activities are presently conducted in Argentina and Canada, either directly or through subsidiaries. Lithium One previously operated under the name Coniagas Resources Limited until July 14, 2009 when it filed articles of amendment with the Province of Ontario to change its name to Lithium One Inc.

The Lithium One Common Shares are listed on the TSX Venture Exchange under the symbol "LI". Lithium One is a reporting issuer in British Columbia, Alberta, Ontario and Québec.

Lithium One has two lithium properties: the Sal de Vida brine project in the Provinces of Salta and Catamarca in northwestern Argentina (the "Sal de Vida Project"), and the James Bay pegmatite project in Québec, Canada (the "James Bay Project").

On March 19, 2012, Lithium One filed a technical report on a National Instrument 43-101 compliant measured, indicated and inferred resource estimate for Lithium One's flagship asset, the Sal de Vida Project. This advanced lithium and potash brine project is located adjacent to FMC Corporation's Fénix lithium brine operation at Salar del Hombre Muerto, which currently produces approximately 12% of the world's lithium. The brine resource estimate includes 4,053,000 tonnes of lithium carbonate ("Li_2CO_3") equivalent and 16,071,000 tonnes of potash ("KCl") equivalent in the measured and indicated categories, with an additional 3,180,000 tonnes of Li_2CO_3 and 12,762,000 tonnes KCl in the inferred category. This measured and indicated resource is contained in 9.8×10^8 m^3 of brine at grades of 782 mg/l lithium and 8,653 mg/l potassium; and the inferred resource is contained in a further 8.3×10^8 m^3 of brine having grades of 718 mg/l lithium and 8,051 mg/l potassium.

The November 18, 2011 preliminary economic assessment by ARA Worley Parsons for the Sal de Vida Project outlined an operation producing 25,000 tonnes pa lithium carbonate and 107,000 tonnes pa potash, with a 28%

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internal rate of return ("IRR") and a US$1.066 billion net present value ("NPV") at an 8% discount rate on a pre-tax basis (further to a press release dated October 5, 2011). The preliminary economic assessment is available under Lithium One's profile at www.sedar.com. End-user partners are earning a maximum of 30% project equity in the Sal de Vida Project by funding a minimum of US$15M towards feasibility, providing an off-take agreement for up to 50% of the lithium production and providing a completion guarantee for the debt component of the capital development costs.

The James Bay Project in Québec also has National Instrument 43-101 compliant mineral resources in the indicated and inferred categories, as reported in November of 2010. In February 2011, the Lithium One signed a definitive earn-in and joint venture agreement with Galaxy Resources, under which Galaxy can earn up to a 70% interest in the James Bay Project by delivering a feasibility study by early 2013. Management believes that the delivery of the Sal de Vida and James Bay mineral resources and the progression of both projects towards feasibility studies represent a significant transition for an emerging resource company: from a focus on the exploration for mineral resources, to the potential development of those resources.

See "Information Relating to Lithium One".

Galaxy and Canco

Galaxy

Galaxy is an Australian-based integrated lithium mining and chemicals company, whose ordinary shares trade on the ASX under the symbol "GXY".

Galaxy was incorporated in Western Australia under the predecessor to the Corporation Act 2001 on January 15, 1996 and registered in Western Australia under the name Galaxy Resources NL. Galaxy changed its name to Galaxy Resources Limited on September 28, 2001.

At its wholly-owned Mt Cattlin Property located in Western Australia, Galaxy mines lithium pegmatite ore and processes it on site to produce a spodumene concentrate and tantalum by-product. At full capacity, the Mt Cattlin Property will produce 137,000 tonnes per annum of spodumene concentrate.

The concentrate is shipped to Galaxy's wholly-owned lithium carbonate plant in the PRC's Jiangsu Province (the "Jiangsu Plant"), where it is processed into lithium carbonate. Galaxy achieved mechanical completion of the Jiangsu Plant in December 2011 and commenced production of lithium carbonate in April 2012. The Jiangsu Plant has a design capacity of 17,000 tpa of high quality lithium carbonate with a purity level of at least 99.5%.

Canco

Canco is a corporation incorporated under the laws of the Province of Québec and is a direct wholly-owned subsidiary of Galaxy, which will, among other things, acquire all of the Lithium One Shares and issue the Exchangeable Shares pursuant to the Arrangement.

See "Appendix C — Information Relating to Galaxy and Canco".

Fairness Opinions

BMO Capital Markets was engaged by Lithium One effective March 23, 2012 as its financial advisor to advise and assist Lithium One in connection with Lithium One's initiation of a process to consider strategic alternatives, including, if requested, providing opinions as to the fairness, from a financial point of view, of the consideration to be received in respect of any transaction that emerged from such process.

BMO Capital Markets delivered its initial opinion orally to the Lithium One Board on March 29, 2012. BMO Capital Markets subsequently confirmed its opinion by delivery of a written opinion to the Lithium One Board dated March 29, 2012, a copy of which is attached as Appendix H (the "March Fairness Opinion"), which concluded that,

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as of the date of such opinion and subject to the assumptions, limitations and qualifications stated in such opinion, including that Galaxy complete a proposed equity financing, the consideration offered to Lithium One Shareholders pursuant to the Arrangement is fair, from a financial point of view, to such Lithium One Shareholders.

Subsequently, BMO Capital Markets provided a second opinion by delivery of a written opinion to the Lithium One Board dated April 18, 2012, a copy of which is attached as Appendix I (the "April Fairness Opinion"), which concluded that, as of the date of such opinion and subject to the assumptions, limitations and qualifications stated in such opinion and taking into consideration the terms of the Acquisition Financing and the adjustment to the exchange ratio, the consideration offered to Lithium One Shareholders pursuant to the Arrangement is fair, from a financial point of view, to such Lithium One Shareholders.

The Fairness Opinions do not constitute a recommendation to Lithium One Securityholders as to how to vote on the Arrangement Resolution or how to act on any matter relating to the Arrangement. The Board urges the Securityholders to read the Fairness Opinions carefully and in their entirety.

See "The Arrangement — Fairness Opinion".

Recommendation of the Lithium One Board

The Lithium One Board believes that the Arrangement is fair to Lithium One Securityholders and in the best interests of Lithium One. Accordingly, the Lithium One Board unanimously approved the Arrangement and recommends that Lithium One Securityholders vote their Lithium One Securities in favour of the Arrangement Resolution.

Reasons for the Recommendation of the Lithium One Board

In making its recommendation, the Lithium One Board considered a number of factors, including:

1. The Arrangement values Lithium One at approximately C$112 million on an undiluted basis. Based on the 20 day volume weighted average price ("VWAP") as at March 29, 2012 for Galaxy and Lithium One of A$0.885 and C$1.29 respectively and a C$:A$ exchange rate of 0.965, the offer represents a premium to Lithium One Shareholders of 40%.

2. The March Fairness Opinion, concluded that, as of the date of such opinion and subject to the assumptions, limitations and qualifications stated in such opinion, including that Galaxy complete a proposed equity financing, the consideration offered to Lithium One Shareholders pursuant to the Arrangement is fair, from a financial point of view, to such Lithium One Shareholders. See "The Arrangement — March Fairness Opinions" and "Appendix H — March Fairness Opinion".

3. The April Fairness Opinion, concluded that, as of the date of such opinion and subject to the assumptions, limitations and qualifications stated in such opinion and taking into consideration the terms of the Acquisition Financing and the adjustment to the exchange ratio, the consideration offered to Lithium One Shareholders pursuant to the Arrangement is fair, from a financial point of view, to such Lithium One Shareholders. See "The Arrangement — April Fairness Opinion" and "Appendix I — April Fairness Opinion".

4. The directors and senior officers of Lithium One, holding in aggregate approximately 13% of the fully diluted share capital of Lithium One, have entered into voting agreements with Galaxy, pursuant to which they have agreed to vote their securities (including Lithium One Options) in favour of the Arrangement, subject to certain exceptions. In addition, as of the date hereof, Lithium One Noteholders, representing 100% of the outstanding Notes, have indicated their support for the Arrangement, subject to certain conditions. See "Voting Agreements".

5. Lithium One Shareholders who receive Galaxy Shares or Exchangeable Shares (or a combination thereof) under the Arrangement will have the opportunity to become part of a vertically integrated lithium company

of global significance with increased exposure to revenues and cash flows and the opportunity to participate in the future performance of Galaxy Shares.

6. Lithium One Shareholders who are Eligible Holders will have the opportunity to elect to receive consideration that includes Exchangeable Shares (and the Ancillary Rights) and to make a valid tax election with Canco to defer all or part of the Canadian income tax on any capital gain that would otherwise arise on an exchange of their Lithium One Common Shares for Galaxy Shares. See "The Arrangement – Election Procedure for Lithium One Shareholders" and "Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders and Lithium One Noteholders".

7. Industry, economic and market conditions and trends.

8. Historical market prices and trading information with respect to the Lithium One Common Shares and the Galaxy Shares.

9. Information regarding the business, operations, property, assets, financial performance and condition, operating results and prospects of Lithium One and Galaxy.

10. The likelihood that the Arrangement will be completed, given the conditions and other approvals necessary to complete the Arrangement.

11. The terms of the Arrangement Agreement, which permit the Lithium One Board to consider and respond to a Superior Proposal subject to the payment of the Termination Fee to Galaxy in certain circumstances.

12. Should Galaxy receive a Superior Proposal, the terms of the Arrangement Agreement which entitles Lithium One to (a) match any Superior Proposal received by Galaxy, and (b) in certain circumstances, receive the Termination Fee from Galaxy should Galaxy's board of directors approve the consideration of a Superior Proposal.

13. The requirement that the Arrangement Resolution be passed by (i) at least two-thirds of the votes cast at the Meeting in person or by proxy by (A) Lithium One Shareholders voting as a single class, and (B) Lithium One Shareholders and Lithium One Optionholders voting together as a single class and (C) Lithium One Noteholders voting as a single class; and (ii) Minority Approval.

14. The procedures by which the Arrangement is to be approved, including the requirement for approval by the Court after a hearing at which fairness will be considered.

15. The availability of rights of dissent to the registered Lithium One Shareholders with respect to the Arrangement.

See "The Arrangement — Recommendation of the Lithium One Board".

Letter of Transmittal and Election Form

All Lithium One Shareholders need to complete, sign and return the letter of transmittal and election form (printed on pink paper and which was mailed, together with this Circular, to each person who was a registered holder of Lithium One Common Shares on the Record Date) with accompanying Lithium One Common Share certificate(s) in order to receive the consideration to which such Lithium One Shareholder is entitled under the Arrangement.

All Lithium One Noteholders need to complete, sign and return the letter of transmittal (printed on white paper and which was mailed, together with this Circular, to each person who was a registered holder of Lithium One Notes on the Record Date) with accompanying Lithium One Note in order to receive the consideration to which such Lithium One Noteholder is entitled under the Arrangement.

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It is recommended that Lithium One Shareholder and Noteholders complete, sign and return the applicable letter of transmittal forms with accompanying Lithium One Common Share certificates and/or Lithium One Notes to the Depositary as soon as possible.

See "The Arrangement — Letter of Transmittal and Election Form" and "The Arrangement — Election Procedure".

Election Procedure

Available Elections and Procedure for Lithium One Shareholders

Each registered holder of Lithium One Common Shares on or prior to the business day immediately preceding the Election Deadline will have the right to make a Consideration Election in the letter of transmittal and election form delivered to the Depositary to receive the consideration set out below depending on the status of such Lithium One Shareholder. **To make a valid Consideration Election as to the consideration that you wish to receive under the Arrangement, you must sign and return the letter of transmittal and election form and make a proper Consideration Election thereunder and return it with Lithium One Common Share certificate(s) to the Depositary on or before the Election Deadline, being 4:30 p.m. (Toronto time) on June 15, 2012, being the business day immediately prior to the date of the Meeting or, if the Meeting is adjourned or postponed, such time on the business day immediately prior to the date of such adjourned or postponed meeting.**

Non-Eligible Holders

Each Lithium One Shareholder who is not an Eligible Holder may only make a Consideration Election, in respect of each Lithium One Common Share held by such person, to receive the Galaxy Share Consideration.

Eligible Holders

Each Lithium One Shareholder who is an Eligible Holder may make a Consideration Election to receive, in respect of each Lithium One Common Share held by such person, the Galaxy Share Consideration or the Exchangeable Share Consideration (or a combination thereof).

A Lithium One Shareholder who is an Eligible Holder wishing to obtain a full or partial Canadian tax deferral in respect of the transfer of a Lithium One Common Share must make a Consideration Election to receive Exchangeable Shares as all or part of the consideration in respect of such transfer.

See "Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders and Lithium One Noteholders."

A Consideration Election will have been properly made only if the Depositary has received, by the Election Deadline, a letter of transmittal and election form properly completed and signed and accompanied by the certificate(s) for the Lithium One Common Shares to which the letter of transmittal and election form relates, properly endorsed or otherwise in proper form for transfer.

The determination of the Depositary as to whether Consideration Elections have been properly made or revoked and when Consideration Elections and revocations were received by it will be binding. **Lithium One Shareholders who do not make a Consideration Election prior to the Election Deadline, or if the Depositary determines that their Consideration Election was not properly made, with respect to any Lithium One Common Share, will be deemed to have elected to receive the Galaxy Share Consideration as consideration for such Lithium One Common Shares.** The Depositary may, with the mutual agreement of Lithium One and Galaxy, make such rules as are consistent with the Arrangement for the implementation of the elections contemplated by the Arrangement and as are necessary or desirable fully to effect such elections.

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Interests of Certain Persons in the Arrangement

In considering the recommendation of the Lithium One Board, Securityholders should be aware that certain members of the Board and certain executive officers of Lithium One have interests in the Arrangement or may receive benefits that may differ from, or be in addition to, the interests of Securityholders generally. See "The Arrangement - Interests of Certain Persons in the Arrangement" for a description of such interests and benefits.

All benefits received, or to be received, by directors or executive officers of Lithium One as a result of the Arrangement are, and will be, solely in connection with their services as directors or employees of Lithium One. No benefit has been, or will be, conferred for the purpose of increasing the value of consideration payable to any such person for Lithium One Common Shares or Lithium One Options, nor is it, or will it be, conditional on the person supporting the Arrangement.

The Arrangement Agreement

The Arrangement Agreement provides for the Arrangement and matters related thereto. Under the Arrangement Agreement, Lithium One has agreed to, among other things, call the Meeting to seek approval of Lithium One Securityholders for the Arrangement Resolution and if, approved, apply to the Court for the Final Order. See "The Arrangement Agreement."

The Arrangement is also subject to a number of conditions including the approval of the TSX-V and approval by the shareholders of Galaxy. Galaxy shareholders holding 16% of the undiluted capital of Galaxy have confirmed their intention to vote in favour and support the Arrangement.

Each of Lithium One and Galaxy has agreed to non-solicitation provisions, which provide for a "fiduciary-out", subject to a right to match, in the event either Lithium One or Galaxy receives a Superior Proposal. In addition, in certain circumstances, if one of the parties' board of directors authorizes it to enter into an agreement with a third party or to complete a transaction with a third party in connection with a Superior Proposal, a Termination Fee of C$3,000,000 may be payable by either Lithium One or Galaxy, as applicable, pursuant to the terms of the Agreement.

See "Arrangement Agreement."

Unaudited Pro Forma Consolidated Financial Statements of Galaxy

The unaudited pro forma consolidated financial statements of Galaxy that give effect to the Arrangement are set forth in Appendix C to this Circular.

Court Approval and Completion of the Arrangement

The Arrangement requires approval by the Court. Prior to the mailing of this Circular, Lithium One obtained the Interim Order providing for the calling and holding of the Meeting and other procedural matters. A copy of the Interim Order is attached hereto as Appendix G. A copy of the Notice of Application applying for the Final Order is attached hereto as Appendix F.

Subject to the approval of the Arrangement Resolution by Lithium One Securityholders at the Meeting, the hearing in respect of the Final Order is expected to take place on June 26, 2012 in the Court at 393 University Avenue, Toronto, Ontario, or as soon thereafter as is reasonably practicable. Any Lithium One Securityholder who wishes to appear or be represented and to present evidence or arguments must serve and file a notice of appearance as set out in the Notice of Application for the Final Order and satisfy any other requirements of the Court. The Court will consider, among other things, the fairness and reasonableness of the Arrangement and the rights of every person affected. The Court may approve the Arrangement in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court deems fit. The Court has further been advised that the exemption from the registration requirements of the 1933 Act provided by Section 3(a)(10) thereof will be based on the Final Order granted by the Court.

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Assuming the Final Order is granted and the other conditions to closing contained in the Arrangement Agreement are satisfied or waived, it is currently anticipated that Articles of Arrangement for Lithium One will be filed with the OBCA Director to give effect to the Arrangement June 27, 2012.

See "The Arrangement — Court Approval and Completion of the Arrangement".

Fractional Shares

No fractional Lithium One Common Shares, Exchangeable Shares or fractional Galaxy Shares will be issued upon the surrender for exchange of certificates representing Lithium One Common Shares, upon exchange of Target Compensation Warrants for Lithium One Common Shares or upon exchange of Lithium One Options for Galaxy Shares. If the aggregate consideration that would otherwise be required to be issued to a Lithium One Shareholder, the holder of Target Compensation Warrants or a Lithium One Optionholder would result in the issuance of a fraction of a Lithium One Common Share, an Exchangeable Share or Galaxy Share, such fraction shall be rounded up.

See "The Arrangement — Exchange Procedure".

Dissent Rights

The Interim Order expressly provides registered holders of Lithium One Common Shares with the right to dissent with respect to the Arrangement. As a result, any Dissenting Lithium One Shareholder is entitled to be paid by Canco the fair value (determined as of the Exchange Time) of all, but not less than all, of the shares of the same class beneficially held by it in accordance with Section 185 of the OBCA, if the shareholder dissents with respect to the Arrangement and the Arrangement becomes effective.

Section 185 of the OBCA provides that a shareholder may only make a claim under that section with respect to all of the shares of a class held by the shareholder on behalf of any one beneficial owner and registered in the shareholder's name. One consequence of this provision is that a registered Lithium One Shareholder may only exercise the dissent rights under Section 185 of the OBCA (as modified by the Plan of Arrangement and the Interim Order) in respect of Lithium One Common Shares that are registered in that Lithium One Shareholder's name.

The execution or exercise of a proxy does not constitute a written objection for purposes of the right to dissent under the OBCA.

The Interim Order and the OBCA require adherence to the procedures established therein and failure to adhere to such procedures may result in the loss of all rights of dissent. Accordingly, each Lithium One Shareholder who might desire to exercise rights of dissent should carefully consider and comply with the provisions of Section 185 of the OBCA, as modified by the Interim Order, and consult its legal advisors.

Notwithstanding subsection 185(6) of the OBCA (pursuant to which a written objection may be provided at or prior to the Meeting), a Dissenting Lithium One Shareholder who seeks payment of the fair value of its Lithium One Common Shares is required to deliver a written objection to the Arrangement Resolution to Lithium One by 4:30 p.m. (Toronto time) on the business day preceding the Meeting (or, if the Meeting is postponed or adjourned, the business day preceding the date of the reconvened or postponed Meeting). Lithium One's address for such purpose is 130 Adelaide Street West, Suite 1010, Toronto, Ontario, M5H 3P5, Attention: Paul Matysek. A vote against the Arrangement Resolution or a withholding of votes does not constitute a written objection.

A Dissenting Lithium One Shareholder who fails to send to Lithium One, within the appropriate time frame, a dissent notice, demand for payment and certificates representing the shares in respect of which the Lithium One Shareholder dissents, forfeits the right to make a claim under Section 185 of the OBCA as modified by the Plan of Arrangement and the Interim Order. The transfer agent of Lithium One will endorse on the share certificates received from a Dissenting Lithium One Shareholder a notice that the holder is a Dissenting Lithium One Shareholder and will forthwith return the certificates to the Dissenting Lithium One Shareholder.

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Failure to comply strictly with the dissent procedures described in this Circular may result in the loss of any right of dissent. Beneficial owners of Lithium One Common Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only registered owners of Lithium One Common Shares are entitled to dissent. The obligation of Galaxy to complete the Arrangement is subject, among other matters, to there not having been delivered and not withdrawn notices of dissent in respect of more than 5% of the outstanding Lithium One Common Shares.

See "Rights of Dissenting Lithium One Shareholders".

Delisting of Lithium One Common Shares

If the Arrangement is completed, the Lithium One Common Shares will be de-listed from the TSX-V and Lithium One will apply to cease to be a reporting issuer (or the equivalent) in all jurisdictions in Canada in which it is a reporting issuer (or the equivalent).

See "Effect of the Arrangement on Markets and Listings".

Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders, Lithium One Noteholders and Lithium One Optionholders

Lithium One Shareholders who are residents of Canada for purposes of the ITA (other than Eligible Holders discussed below) will realize a taxable disposition of their Lithium One Common Shares under the Arrangement based on the fair market value of the Galaxy Shares received as consideration.

Lithium One Shareholders who are Eligible Holders may make a Consideration Election to receive as consideration Exchangeable Shares (and the Ancillary Rights). The exchangeable share structure is designed to provide an opportunity for such Eligible Holders who make a valid tax election with Canco to defer all or part of the Canadian income tax on any capital gain that would otherwise arise on an exchange of their Lithium One Common Shares for Galaxy Shares under the Arrangement.

Lithium One Shareholders who are not residents of Canada for purposes of the ITA and whose Lithium One Common Shares do not constitute "taxable Canadian property" as defined under the ITA will not be subject to tax under the ITA on the disposition of their Lithium One Common Shares under the Arrangement.

Lithium One Optionholders who are residents of Canada for the purposes of the ITA will be required to include in their income from employment, the fair market value of the Galaxy Shares received on disposition of their Lithium One Options under the Arrangement. Such Lithium One Optionholder may be able to deduct one half of such amount included in income, provided certain conditions are met.

Lithium One Optionholders who are not residents of Canada for the purposes of the ITA should consult their own advisors with respect to the Canadian income tax consequences of the disposition of such Lithium One Options under the Arrangement.

Lithium One Noteholders who are residents of Canada for the purposes of the ITA will realize a taxable disposition of their Lithium One Notes under the Arrangement based on the fair market value of the Galaxy Notes received as consideration.

Lithium One Noteholders who are not residents of Canada for the purposes of the ITA and whose Lithium One Notes do not constitute "taxable Canadian property" as defined under the ITA will not be subject to taxation under the ITA on the disposition of their Lithium One Notes under the Arrangement.

See "Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders and Lithium One Noteholders" and "Certain Canadian Federal Income Tax Considerations for Optionholders" for a general summary of certain Canadian federal income tax considerations relevant to Lithium One Shareholders, Lithium One

Optionholders or Lithium One Noteholders who are either residents or not residents of Canada for purposes of the ITA.

Certain United States Federal Income Tax Considerations

The exchange of Lithium One Common Shares for Galaxy Shares pursuant to the Arrangement will be a taxable transaction for U.S. Holders. Accordingly, Lithium One Shareholders that are U.S. Holders and that exchange their Lithium One Common Shares for Galaxy Shares will generally recognize capital gain or loss on such exchange equal to the difference between the "amount realized" and the U.S. Holder's aggregate adjusted tax basis in the Lithium One Common Shares exchanged. The "amount realized" will equal the fair market value of the Galaxy Shares received by such U.S. Holder. If Lithium One was a PFIC at any time during a U.S. Holder's holding period for the Lithium One Common Shares, any gain recognized may be treated as ordinary income and any tax due may include an interest charge. Lithium One expects to be a PFIC for the tax year in which the Arrangement occurs.

All U.S. Holders of Lithium One Common Shares are urged to consult their own tax advisors regarding the specific U.S. federal income tax consequences of the Arrangement that are applicable to them. No advance income tax ruling has been sought or obtained with respect to the Arrangement.

See "Certain United States Federal Income Tax Considerations" for the definitions of the terms "U.S. Holder" and "PFIC", and for a general summary of certain material U.S. federal income tax considerations arising from the Arrangement, which qualifies the information set forth above.

Risk Factors Relating to the Arrangement

There are a number of risk factors relating to the business of Galaxy and to the Arrangement, all of which should be carefully considered by Lithium One Securityholders.

See "Risk Factors Relating to the Arrangement" and "Appendix C — Information Relating to Galaxy and Canco — Risk Factors".

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THE ARRANGEMENT

Background to the Arrangement

The Arrangement is the result of arm's length negotiations between Lithium One and Galaxy, which originated from interactions between the two companies that began mid 2010.

In June 2010, Martin Rowley, Chairman of Lithium One and Iggy Tan, Managing Director of Galaxy, met and discussed the potential for Galaxy to earn an interest in Lithium One's James Bay Project. In July 2010, a confidentiality agreement between Lithium One and Galaxy was executed.

Over the course of the next several months, Galaxy conducted technical, legal and financial due diligence on the James Bay Project and conducted a site visit to the James Bay Project.

On December 8, 2010, a non-binding memorandum of understanding with respect to the James Bay Project was agreed to and, further to negotiations between the two parties, a farm-in and joint venture agreement was executed on February 9, 2011.

In March 2011, Lithium One was contacted by Galaxy and a meeting was held at which the concept of a merger between the two companies was discussed. The parties agreed to begin an exchange of data as a potential transaction was considered. On March 18, 2011, Lithium One and Galaxy agreed that Galaxy would present Lithium One with a non-binding indicative offer no later than April 18, 2011.

In March 2011, a new confidentiality agreement was executed by Lithium One and Galaxy and on March 23, 2011, Lithium One engaged BMO Capital Markets as its financial advisor.

On March 28, 2011, representatives of Galaxy made a presentation to the board of directors of Lithium One, entitled "Merger Rationale", discussing the proposed merger. On March 30, 2011, Lithium One received a due diligence request list from Galaxy, with confirmation from Galaxy that the board of directors of Galaxy had approved advancing discussions and commencing a technical, legal and financial due diligence review of Lithium One.

On April 1, 2011, the Lithium One board of directors met to discuss the proposed merger. Lithium One's financial advisor, BMO Capital Markets, and Lithium One's legal advisor, Blake, Cassels & Graydon LLP attended the board meeting to discuss Galaxy's proposals. At the meeting, the board of directors of Lithium One resolved to continue discussions with Galaxy. Also at that meeting, the board of directors was advised of its fiduciary duties. Legal advice was provided with respect to structural and procedural matters.

During the week of April 18 to April 22, 2011, representatives of Galaxy (Terry Stark, Managing Director – Resources Division, Philip Tornatora, former Exploration and Geology Manager, and Charles Whitfield, Executive Director) visited Lithium One's Sal de Vida Project site.

In May 2011, Martin Rowley and Galaxy Executive Director, Anthony Tse, visited Galaxy's Jiangsu Plant, its lithium carbonate plant in the Jiangsu Province, PRC, which was under construction at that time. Also in May 2011, Martin Rowley, Iggy Tan and Galaxy Chairman Craig Readhead met in Perth, Australia, to discuss technical issues.

On November 17, 2011, Lithium One received a non-binding indicative offer from Galaxy, offering an exchange ratio of 1.368 Galaxy Shares for each Lithium One Share. The board of directors of Galaxy reviewed the offer with its legal counsel and financial advisor and obtained advice from both advisors.

On November 21, 2011, in Perth, Iggy Tan and Craig Readhead of Galaxy gave a presentation to Martin Rowley of Lithium One on the proposed benefits of the merger of Lithium One and Galaxy on the terms proposed in their offer.

On November 24, 2011, after careful consideration of the offer and consultation with its advisors, Lithium One replied to Galaxy, rejecting the initial offer and outlining the principal reasons why the merger terms offered were unacceptable.

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On December 4, 2011, Martin Rowley of Lithium One met with Galaxy's Iggy Tan, Craig Readhead and Charles Whitfield in Galaxy's offices in Perth to discuss the issues raised in Lithium One's response letter dated November 24, 2011 and Galaxy's further response to such issues. Following the meeting, further due diligence information was provided by Galaxy to Lithium One. Lithium One shared the information with BMO Capital Markets. Lithium One, with the assistance of its advisors, prepared a counter-proposal at an equivalent of C$1.67 per Lithium One Share. The counter-proposal was presented to Galaxy at a meeting in Perth between Martin Rowley and Iggy Tan on December 12, 2011.

On December 16, 2011, Lithium One was advised that the counter-proposal terms were not acceptable to Galaxy but was asked to continue working with Galaxy towards a proposal satisfactory to both parties. In early January, 2012, Galaxy and Lithium One arranged for their respective financial advisors to meet to discuss the terms and try to resolve the valuation difference.

On January 20, 2012, Iggy Tan of Galaxy verbally increased Galaxy's offer. BMO Capital Markets and Galaxy's Canadian financial advisor, Paradigm Capital Inc., met in Toronto on January 20, 2012 to discuss the transaction.

On January 23, 2012, Martin Rowley further counter-offered with a price of C$1.55 per Lithium One Share.

On January 24, 2012, Iggy Tan met with Patrick Highsmith, Lithium One's President and Chief Operating Officer, in Buenos Aires for a Sal de Vida Project summary. At the meeting, Iggy Tan advocated on behalf of Galaxy in support of Galaxy's January 20, 2012 offer.

On January 27, 2012, representatives of Galaxy (Anthony Tse and Anand Sheth, Sales and Marketing Director) visited the Sal de Vida Project as part of an industry field trip.

An amended non-binding indicative offer was prepared by Lithium One's legal counsel and delivered to Galaxy on January 30, 2012.

On February 2, 2012, Martin Rowley of Lithium One met in Perth with Iggy Tan, Craig Readhead and Anthony Tse of Galaxy, but the parties were not able to agree upon terms. Galaxy withdrew its offer on February 4, 2012.

On March 12, 2012, Galaxy requested a teleconference call between Martin Rowley, Iggy Tan and Craig Readhead, at which Galaxy advised Lithium One that Galaxy would be presenting a new non-binding indicative offer by or before March 15, 2012 based on the previously proposed C$1.55 per Lithium One Share offer price.

On March 15, 2012, Lithium One received the new non-binding indicative offer, which valued the Lithium One Shares at C$1.55 per Lithium One Share and proposed an exchange ratio of 1.80 Galaxy Shares per each Lithium One Share.

Lithium One reviewed the new offer with its legal counsel and financial advisors and convened a board meeting on March 16, 2012 at which the Lithium One board of directors approved the signing of the latest non-binding indicative offer from Galaxy. During the meeting, Blake, Cassels & Graydon LLP advised the board of directors on its duties and on structuring and timing issues.

During the period from March 18, 2012 to March 29, 2012 the management and legal teams of both parties negotiated exclusively and settled the terms of the substantive transaction documents, including the Arrangement Agreement, between Lithium One and Galaxy.

The Board retained BMO Capital Markets, effective March 23, 2012, to, among other things, address the fairness, from a financial point of view, of the consideration to be received by the Lithium One Shareholders pursuant to the Arrangement.

On March 29, 2012, the Lithium One board of directors met to discuss the Arrangement. At the meeting, BMO Capital Markets delivered its opinion orally to the Lithium One Board. BMO Capital Markets subsequently confirmed its opinion by delivery of a written opinion to the Lithium One Board dated March 29, 2012, which

concluded that, as of the date of such opinion and subject to the assumptions, limitations and qualifications stated in such opinion, including that Galaxy complete a proposed equity financing, the consideration offered to Lithium One Shareholders pursuant to the Arrangement is fair, from a financial point of view, to such Lithium One Shareholders. Also at the meeting, Blake Cassels & Graydon LLP made a presentation summarizing the Arrangement. A discussion in respect of the duties of the board of directors was held.

After the meeting with its financial advisors and upon receipt of advice from its legal advisors, the board of directors of Lithium One unanimously resolved: (i) to recommend that Lithium One accept the fairness opinion from BMO Capital Markets; (ii) that the Arrangement is fair, from a financial point of view, to the Lithium One Securityholders (other than Galaxy), and is in the best interests of Lithium One; (iii) that the Lithium One board of directors should recommend that Lithium One Securityholders vote in favour of the Arrangement Resolution; and (iv) to approve the entering into of the Arrangement Agreement and related transaction documents.

Shortly after the meeting of the Lithium One board of directors, Lithium One and Galaxy entered into the Arrangement Agreement and a press release was disseminated immediately thereafter.

On April 18, 2012, the Lithium One Board met with BMO Capital Markets, whereby BMO Capital Markets provided an update regarding its fairness considerations of the Arrangement following the completion of Galaxy's financing and the adjustment to the exchange ratio to 1.96. At the meeting, BMO Capital Markets provided a second opinion orally to the Lithium One Board. BMO Capital Markets subsequently confirmed its opinion by delivery of a written opinion to the Lithium One Board dated April 18, 2012, which concluded that, as of the date of such opinion and subject to the assumptions, limitations and qualifications stated in such opinion and taking into consideration the terms of the Acquisition Financing and the adjustment to the exchange ratio, the consideration offered to Lithium One Shareholders pursuant to the Arrangement is fair, from a financial point of view, to such Lithium One Shareholders. After the meeting with its financial advisors and upon receipt of advice from its legal advisors and upon consideration of the results of the Acquisition Financing and the adjustment to the exchange ratio, the board of directors of Lithium One unanimously resolved to reconfirm that the performance by the Company of its obligations under the Arrangement Agreement and the Arrangement and the other transactions contemplated thereby were in the best interests of Lithium One and the Lithium One Securityholders and recommended that the Lithium One Securityholders approve the Arrangement Resolution.

Fairness Opinion

The views of BMO Capital Markets expressed in the Fairness Opinions were an important consideration in the Lithium One Board's decision to proceed with the Arrangement.

The Lithium One Board retained BMO Capital Markets, effective March 23, 2012, to, among other things, address the fairness, from a financial point of view, of the consideration to be received by the Lithium One Securityholders pursuant to the Arrangement. In connection with this mandate, BMO Capital Markets delivered its opinion orally to the Lithium One Board on March 29, 2012. BMO Capital Markets subsequently confirmed its opinion by delivery of a written opinion to the Lithium One Board dated March 29, 2012, a copy of which is attached as Appendix H, which concluded that, as of the date of such opinion and subject to the assumptions, limitations and qualifications stated in such opinion, including that Galaxy complete a proposed equity financing, the consideration offered to Lithium One Shareholders pursuant to the Arrangement is fair, from a financial point of view, to such Lithium One Shareholders. Subsequently, BMO Capital Markets provided a second opinion by delivery of an updated written opinion to the Lithium One Board dated April 18, 2012, a copy of which is attached as Appendix I (the "April Fairness Opinion"), which concluded that, as of the date of such opinion and subject to the assumptions, limitations and qualifications stated in such opinion and taking into consideration the terms of the Acquisition Financing and the adjustment to the exchange ratio, the consideration offered to Lithium One Shareholders pursuant to the Arrangement is fair, from a financial point of view, to such Lithium One Shareholders.

The summary of the Fairness Opinions described in this Circular is qualified in its entirety by reference to the full text of the Fairness Opinions.

Under its engagement letter with BMO Capital Markets, the Company has agreed to pay a fee to BMO Capital Markets for its services as a financial advisor, including fees for the delivery of the Fairness Opinions. The

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Company has also agreed to indemnify BMO Capital Markets against certain liabilities in connection with its engagement.

The Fairness Opinions do not constitute a recommendation to any Securityholder as to how to vote or act on any matter relating to the Arrangement. The Board urges the Shareholders to read the Fairness Opinions, attached hereto as Appendix H and Appendix I, carefully and in their entirety.

Recommendation of the Lithium One Board

The Lithium One Board believes that the Arrangement is fair to Lithium One Securityholders and in the best interests of Lithium One. Accordingly, the Lithium One Board unanimously approved the Arrangement and recommends that Lithium One Securityholders vote their Lithium One Common Shares in favour of the Arrangement Resolution.

In making its recommendation, the Lithium One Board considered a number of factors, including:

1. The Arrangement values Lithium One at approximately C$112 million on an undiluted basis. Based on the 20 day VWAP as at March 29, 2012 for Galaxy and Lithium One of A$0.885 and C$1.29 respectively and a C$:A$ exchange rate of 0.965, the offer represents a premium to Lithium One Shareholders of 40%.

2. The March Fairness Opinion, concluded that, as of the date of such opinion and subject to the assumptions, limitations and qualifications stated in such opinion, including that Galaxy complete the proposed equity financing, the consideration offered to Lithium One Shareholders pursuant to the Arrangement is fair, from a financial point of view, to such Lithium One Shareholders. See "The Arrangement — Fairness Opinion" and "Appendix H — Fairness Opinion".

3. The April Fairness Opinion, concluded that, as of the date of such opinion and subject to the assumptions, limitations and qualifications stated in such opinion and taking into consideration the terms of the Acquisition Financing and the adjustment to the exchange ratio, the consideration offered to Lithium One Shareholders pursuant to the Arrangement is fair, from a financial point of view, to such Lithium One Shareholders. See "The Arrangement — April Fairness Opinion" and "Appendix I — April Fairness Opinion".

4. The directors and senior officers of Lithium One, holding in aggregate approximately 13% of the fully diluted share capital of Lithium One, have entered into voting agreements with Galaxy, pursuant to which they have agreed to vote their securities (including Options) in favour of the Arrangement, subject to certain exceptions. In addition, as of the date hereof, Noteholders, representing 100% of the outstanding Notes, have indicated their support for the Arrangement, subject to certain conditions.

5. Lithium One Shareholders who receive Galaxy Shares or Exchangeable Shares (or a combination thereof) under the Arrangement will have the opportunity to become a part of a vertically integrated lithium company of global significance having increased exposure to revenues and cash flows and the opportunity to participate in the future performance of Galaxy Shares.

6. Lithium One Shareholders who are Eligible Holders will have the opportunity to elect to receive consideration that includes Exchangeable Shares (and the Ancillary Rights) and to make a valid tax election with Canco to defer all or part of the Canadian income tax on any capital gain that would otherwise arise on an exchange of their Lithium One Common Shares for Galaxy Shares. See "The Arrangement – Election Procedure for Lithium One Shareholders" and "Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders and Lithium One Noteholders".

7. Industry, economic and market conditions and trends.

8. Historical market prices and trading information with respect to the Lithium One Common Shares and the Galaxy Shares.

9. Information regarding the business, operations, property, assets, financial performance and condition, operating results and prospects of Lithium One and Galaxy.

10. The likelihood that the Arrangement will be completed, given the conditions and other approvals necessary to complete the Arrangement.

11. The terms of the Arrangement Agreement, which permit the Lithium One Board to consider and respond to a Superior Proposal subject to the payment of the Termination Fee to Galaxy in certain circumstances.

12. The requirement that the Arrangement Resolution be passed by (i) at least two-thirds of the votes cast at the Meeting in person or by proxy by (A) Lithium One Shareholders voting as a single class, (B) Lithium One Shareholders and Lithium One Optionholders voting together as a single class, and (C) Lithium One Noteholders voting as a single class; and (ii) Minority Approval.

13. The procedures by which the Arrangement is to be approved, including the requirement for approval by the Court after a hearing at which fairness will be considered.

14. The availability of rights of dissent to the registered Lithium One Shareholders with respect to the Arrangement.

Lithium One Securityholder Approval

At the Meeting, Lithium One Securityholders will be asked to vote to approve the Arrangement Resolution. The approval of the Arrangement Resolution will require (i) the affirmative vote of at least two-thirds of the votes cast at the Meeting in person or by proxy by (A) Lithium One Shareholders voting as a single class, (B) Lithium One Shareholders and Lithium One Optionholders voting together as a single class, and (C) Lithium One Noteholders voting as a single class; and (ii) Minority Approval. The Arrangement Resolution must be passed in order for Lithium One to seek the Final Order and to implement the Arrangement on the Effective Date in accordance with the Final Order.

Description of the Arrangement

The following description of the Arrangement is qualified in its entirety by reference to the full text of the Plan of Arrangement, a copy of which is attached as Appendix E to this Circular.

The Plan of Arrangement includes, among other things, an exchange of each Lithium One Common Share for (i) the Galaxy Share Consideration of 1.96 Galaxy Shares, (ii) the Exchangeable Share Consideration of 1.96 Exchangeable Shares or (iii) a combination of (i) and (ii), subject in each case to certain limitations described below under the heading "Election Procedure for Lithium One Shareholders". If approved, the Arrangement will become effective at the Exchange Time (which is expected to be at 12:01 a.m. (Toronto time) on a date to be determined but expected to be on or about June 27, 2012, but in any case, not later than August 31, 2012). Commencing at the Effective Time on the Effective Date, subject to the terms and conditions of the Arrangement Agreement, the following steps shall occur as part of the Arrangement and shall be deemed to occur in the following sequence without any further act or formality:

1. Pursuant to the Arrangement Agreement, at the Effective Time, each Lithium One Option shall be exchanged for that number of Galaxy Shares per Lithium One Option equal to the product determined by multiplying 1.96 by the quotient of (a) the positive difference between $1.55 and the exercise price of such Lithium One Option divided by (b) $1.55; provided, however, that if the aggregate number of Galaxy Shares that would otherwise be required to be issued to a Lithium One Optionholder as consideration for such Lithium One Optionholder's Lithium One Options would result in a fraction of a Galaxy Share being issued, the number of Galaxy Shares to be received by such Lithium One Optionholder will be rounded up;

2. At the Effective Time, any Lithium One Options which are not "in-the-money" shall immediately expire and be terminated without any consideration therefor;

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3. At the Effective Time, the holder of the 250,000 Target Compensation Warrants (as defined in the Arrangement Agreement) shall receive, in respect of each such Target Compensation Warrant a fraction of a Lithium One Common Share, with such fraction being calculated according the formula the numerator of which shall be equal to the difference between $1.55 and the exercise price for such Target Compensation Warrant and the denominator of which shall be equal to $1.55. For greater certainty, all Target Compensation Warrants will expire and terminate on the Effective Date;

4. Five minutes after the Effective Time, each issued and outstanding Lithium One Share (other than Lithium One Common Shares held by Galaxy or an affiliate thereof or by Dissenting Shareholders) held by a Lithium One Shareholder shall be exchanged with Canco for either the Galaxy Share Consideration or the Exchangeable Share Consideration (or a combination thereof, as described below) provided, however, that if the aggregate number of Galaxy Shares or Exchangeable Shares that would otherwise required to be issued to a Lithium One Shareholder would result in a fraction of a Galaxy Share or an Exchangeable Share being issued, the number of Galaxy Shares or Exchangeable Shares to be issued to the Lithium One Shareholder will be rounded up;

5. Five minutes after the Effective Time, Galaxy, Canco and Callco shall execute the Support Agreement and Galaxy, Canco and the Transfer Agent shall execute the Voting and Exchange Trust Agreement and Galaxy shall issue to and deposit with the Transfer Agent the Special Voting Shares in consideration of the payment to Galaxy by Lithium One on behalf of the Lithium One Shareholders of one dollar (C$1.00), to be thereafter held on record by the Transfer Agent as trustee for and on behalf of, and for the use and benefit of, the holders of the Exchangeable Shares in accordance with the Voting and Exchange Trust Agreement.

6. Five minutes after the Effective Time, Lithium One shall pay to the holders of the Lithium One Notes all interest accrued on the Lithium One Notes to and including the Effective Date and immediately thereafter each Lithium One Note shall be exchanged for a Galaxy Note; and

7. Each of Mr. Paul Matysek and Mr. Martin Rowley shall be appointed as directors of Galaxy.

In addition, each Lithium One Common Share held by a Dissenting Lithium One Shareholder who is ultimately determined to be entitled to be paid fair value for his, her or its Lithium One Common Shares shall be deemed to have been transferred to Canco as of the Exchange Time for the fair value of the Lithium One Common Share determined as of the Exchange Time. See "Rights of Dissenting Lithium One Shareholders". Each Lithium One Common Share in respect of which the Lithium One Shareholder has exercised his, her or its right of dissent and is ultimately determined not to be entitled to be paid fair value by Canco for their Lithium One Common Shares shall be deemed to be transferred to Canco as of the Exchange Time for the consideration payable to a Lithium One Shareholder who has not deposited with the Depositary a duly completed letter of transmittal and election form prior to the Election Deadline (as described below).

If the Lithium One Securityholders approve the Arrangement Resolution on the basis described herein and all other conditions precedent are satisfied or waived, it is expected that the Arrangement will be effected on or about June 27, 2012.

In addition, Galaxy has agreed to assume substantially all of the rights, powers and obligations with respect to the Lithium One Notes immediately before the Effective Time, and issue new Galaxy Notes convertible into Galaxy Shares. See "Description of Galaxy Notes".

Letter of Transmittal and Election Form for Lithium One Shareholders

A letter of transmittal and election form (printed on pink paper) is being mailed, together with this Circular, to each person who was a registered holder of Lithium One Common Shares on the Record Date. Each registered Lithium One Shareholder must forward properly completed and signed a letter of transmittal and election form, with accompanying Lithium One Common Share certificates in order to receive the consideration to which such Lithium One Shareholder is entitled under the Arrangement. It is recommended that a Lithium One Shareholder complete,

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sign and return the letter of transmittal and election form with accompanying Lithium One Common Share certificates to the Depositary as soon as possible. **For Lithium One Shareholders to make a valid Consideration Election as to the consideration that they wish to receive under the Arrangement, they must sign and return the letter of transmittal and election form (printed on pink paper) and make a proper Consideration Election thereunder and return it with accompanying Lithium One Common Share certificate(s) to the Depositary on or before the Election Deadline, being 4:30 p.m. (Toronto time) on June 15, 2012, being the business day immediately prior to the date of the Meeting or, if the Meeting is adjourned or postponed, such time on the business day immediately prior to the date of such adjourned or postponed meeting.** See "The Arrangement — Election Procedure for Lithium One Shareholders".

Any use of the mail to transmit a letter of transmittal and election form and a certificate for Lithium One Common Shares is at the risk of the Lithium One Shareholder. If these documents are mailed, it is recommended that registered mail, with return receipt requested, properly insured, be used.

Whether or not Lithium One Shareholders forward the certificates representing their Lithium One Common Shares, upon completion of the Plan of Arrangement on the Effective Date, Lithium One Shareholders will cease to be Lithium One Shareholders as of the Effective Date and will only be entitled to receive that number of Galaxy Shares or Exchangeable Shares (and the Ancillary Rights) to which they are entitled under the Plan of Arrangement or, in the case of Lithium One Shareholders who properly exercise dissent rights, the right to receive fair value for their Lithium One Common Shares in accordance with the dissent procedures. See "Rights of Dissenting Lithium One Shareholders".

The letter of transmittal and election form also allows for each eligible Lithium One Shareholder to make a Facility Election to participate in the Share Sale Facility. See "Share Sale Facility".

The instructions for making elections, exchanging certificates representing Lithium One Common Shares and depositing such share certificates with the Depositary are set out in the letter of transmittal and election form. The letter of transmittal and election form provides instructions with regard to lost certificates.

Letter of Transmittal for Lithium One Noteholders

A letter of transmittal (printed on white paper) is being mailed, together with this Circular, to each person who was a registered holder of Lithium One Notes on the Record Date. Each registered Lithium One Noteholder must forward a properly completed and signed a letter of transmittal, with accompanying Lithium One Notes, in order to receive the consideration to which such Lithium One Noteholder is entitled under the Arrangement. It is recommended that a Lithium One Noteholder complete, sign and return the letter of transmittal with accompanying Lithium One Notes to Lithium One as soon as possible.

Any use of the mail to transmit a certificate representing the Lithium One Notes and a related letter of transmittal is at the risk of the Lithium One Noteholder. If these documents are mailed, it is recommended that registered mail, with return receipt requested, properly insured, be used.

Whether or not Lithium One Noteholders forward their Lithium One Notes, upon completion of the Plan of Arrangement on the Effective Date, Lithium One Noteholders will cease to be Lithium One Noteholders as of the Effective Date and will only be entitled to receive the Galaxy Notes to which they are entitled under the Plan of Arrangement.

The instructions for making elections, exchanging certificates representing Lithium One Notes and depositing such note certificates with Lithium One are set out in the letter of transmittal (printed on white paper). The letter of transmittal provides instructions with regard to lost certificates.

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Election Procedure for Lithium One Shareholders

Available Elections and Procedure

Each registered holder of Lithium One Common Shares on or prior to the business day immediately preceding the Election Deadline will have the right to make a Consideration Election in the letter of transmittal and election form (printed on pink paper) delivered to the Depositary to receive the consideration set out below depending on the status of the Lithium One Shareholder. Eligible Lithium One Shareholders may also make a Facility Election to participate in the Share Facility. **To make a valid Consideration Election as to the consideration that you wish to receive under the Arrangement, you must sign and return the letter of transmittal and election form and make a proper election thereunder and return it with accompanying Lithium One Common Share certificate(s), to the Depositary on or before the Election Deadline, being 4:30 p.m. (Toronto time) on June 15, 2012, being the business day immediately prior to the date of the Meeting or, if the Meeting is adjourned or postponed, such time on the business day immediately prior to the date of such adjourned or postponed meeting. To make a valid Facility Election to participate in the Share Sale Facility you must return (i) the letter of transmittal and election form to the Depositary before the Share Sale Facility Deadline, in the case of Lithium One Shareholders who make a Consideration Election to receive Galaxy Shares or (ii) the Retraction Request to Canco prior to the Share Sale Facility Deadline, in the case of Lithium One Shareholders who make a Consideration Election to receive Exchangeable Shares.**

Non-Eligible Holders

Each Lithium One Shareholder who is not an Eligible Holder may only make a Consideration Election to receive, in respect of each Lithium One Common Share held by such person, the Galaxy Share Consideration.

Eligible Holders

Each Lithium One Shareholder who is an Eligible Holder may make a Consideration Election to receive, in respect of each Lithium One Common Share held by such person, the Galaxy Share Consideration or the Exchangeable Share Consideration (or a combination thereof).

Lithium One Shareholders who are Eligible Holders wishing to obtain a full or partial tax deferral in respect of the transfer of their Lithium One Common Shares must make a Consideration Election to receive Exchangeable Shares as all or part of the consideration in respect of such transfer.

See "Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders and Lithium One Noteholders".

The Consideration Election will have been properly made only if the Depositary has received, by the Election Deadline, a letter of transmittal and election form properly completed and signed and accompanied by the certificate(s) for the Lithium One Common Shares to which the letter of transmittal and election form relates, properly endorsed or otherwise in proper form for transfer.

Any Lithium One Shareholder who has made the Consideration Election by submitting a letter of transmittal and election form to the Depositary may revoke such election by written notice or by filing a later-dated letter of transmittal and election form received by the Depositary prior to the Election Deadline. In addition, all letter of transmittal and election forms will be automatically revoked if the Depositary is notified in writing by Lithium One and Galaxy that the Arrangement Agreement has been terminated. If a letter of transmittal and election form is revoked, the certificate(s) for the Lithium One Common Shares received with the letter of transmittal and election form will be returned to the Lithium One Shareholder submitting the same to the address specified in the letter of transmittal and election form as soon as practicable.

The determination of the Depositary as to whether elections have been properly made or revoked and when elections and revocations were received by it will be binding. **A LITHIUM ONE SHAREHOLDER WHO DOES NOT MAKE A CONSIDERATION ELECTION PRIOR TO THE ELECTION DEADLINE, OR IF THE**

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DEPOSITARY DETERMINES THAT THEIR CONSIDERATION ELECTION WAS NOT PROPERLY MADE, WITH RESPECT TO ANY LITHIUM ONE COMMON SHARE, WILL BE DEEMED TO HAVE ELECTED TO RECEIVE THE GALAXY SHARE CONSIDERATION, IN RESPECT OF SUCH LITHIUM ONE COMMON SHARE. The Depositary may, with the mutual agreement of Lithium One and Galaxy, make such rules as are consistent with the Arrangement for the implementation of the elections contemplated by the Arrangement and as are necessary or desirable fully to effect such elections.

Exchange Procedure

Prior to the Effective Time, Canco shall deposit or cause to be deposited with the Depositary, for the benefit of the holders of Lithium One Common Shares, the aggregate number of whole Exchangeable Shares (issuable to all Lithium One Shareholders who made a Consideration Election to receive Exchangeable Shares under the Arrangement) and the aggregate number of whole Galaxy Shares issuable under the Arrangement.

Upon the delivery of a duly completed letter of transmittal and election form and, the surrender to the Depositary for cancellation of a certificate which immediately prior to the Effective Time represented Lithium One Common Shares that were exchanged under the Arrangement and such other documents and instruments as the Depositary may reasonably require, the Lithium One Shareholder will be entitled to receive, and as soon as practicable after the Effective Time the Depositary will deliver to such holder, written evidence of the book entry issuance in uncertificated form to, or certificates registered in the name of, such holder representing that number (rounded up to the nearest whole number) of Galaxy Shares and/or Exchangeable Shares which such holder is entitled to receive, less any amounts to be withheld (as discussed further below) and the surrendered certificate will be cancelled.

In the event of a transfer of ownership of Lithium One Common Shares that was not registered in the transfer records of Lithium One, written evidence of the book entry issuance of, or certificates representing, the number of Galaxy Shares and/or Exchangeable Shares issuable to the registered holder may be registered in the name of and issued to, the transferee if the certificate representing such Lithium One Common Shares is presented to the Depositary, accompanied by a duly completed letter of transmittal and election form and all documents required to evidence and effect such transfer.

Lithium One Shareholders who hold Lithium One Common Shares registered in the name of a broker, investment dealer, bank, trust company or other intermediary should contact the intermediary for instructions and assistance in providing details for registration and delivery of the Galaxy Shares or Exchangeable Shares to which the registered holder is entitled.

Until surrendered, each certificate that immediately prior to the Effective Time represented Lithium One Common Shares will be deemed, following the Effective Time, to represent only the right to receive upon such surrender (i) the consideration to which the holder is entitled under the Arrangement, and (ii) any dividends or other distributions with a record date after the Effective Time paid or payable with respect to any Galaxy Shares and/or Exchangeable Shares issued in exchange therefore, in each case less any applicable tax withholdings.

No dividends or other distributions paid, declared or made with respect to Exchangeable Shares or Galaxy Shares with a record date after the Effective Time will be paid to the holder of any unsurrendered Lithium One Common Shares exchanged pursuant to the Arrangement, unless and until the holder of record of the certificate representing such Lithium One Common Shares properly surrenders such certificate. Subject to applicable Law, at the time of surrender of any such certificate, the holder of record of the certificate will be paid, without interest (i) the amount of dividends or other distributions with a record date after the Effective Time which have been paid or made prior to such surrender with respect to the whole number of Exchangeable Shares or Galaxy Shares, as the case may be, and (ii) on the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time but which have not been paid or made prior to such surrender.

If any certificate that immediately prior to the Effective Time represented outstanding Lithium One Common Shares has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to be lost, stolen or destroyed, and upon contacting the Depositary at investor@equityfinancialtrust.com or (416) 361-0152, the Depositary will issue in exchange for such lost, stolen or destroyed certificate, any Exchangeable Shares or Galaxy Shares deliverable in respect thereof in accordance with such holder's letter of transmittal and

election form, as determined in accordance with the Arrangement. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the person to whom such payment is to be delivered must, as a condition precedent to the issuance thereof, give a bond satisfactory to Lithium One, Galaxy, Canco and the Depositary in such amount as Lithium One, Galaxy or Canco may direct or otherwise indemnify Lithium One, Galaxy, Canco and the Depositary in a manner satisfactory to them against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

Any certificate or entitlement which immediately prior to the Effective Time represented outstanding Lithium One Common Shares that were exchanged pursuant to the Arrangement and which has not been surrendered on or prior to the date of the notice of the Redemption Date sent by Canco, shall cease to represent a claim or interest of any kind or nature as a shareholder of Canco or Galaxy. On such date, the Exchangeable Shares or Galaxy Shares to which the former registered holder of the certificate or entitlement referred to in the preceding sentence was ultimately entitled shall be deemed to have been surrendered to Canco or Galaxy, as the case may be, together with all entitlements to dividends, distributions and interest thereon held for such former registered holder.

Lithium One, Galaxy, Callco, Canco and the Depositary are entitled to deduct and withhold from any dividend payment or consideration otherwise payable under the Arrangement to any holder of Lithium One Common Shares, Galaxy Shares or Exchangeable Shares such amounts as Lithium One, Galaxy, Callco, Canco or the Depositary are required to deduct and withhold with respect to such payment under the ITA or any other applicable law. To the extent that amounts are so withheld, such withheld amounts will be treated for all purposes as having been paid to the holder of the shares in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. To the extent that the amount so required or permitted to be deducted or withheld from any payment to a holder exceeds the cash portion of the consideration otherwise payable to the holder, Lithium One, Galaxy, Callco, Canco and the Depositary are authorized to sell or otherwise dispose of such portion of the consideration as is necessary to provide sufficient funds to Lithium One, Galaxy, Callco, Canco or the Depositary, as the case may be, to enable it to comply with such deduction or withholding requirement and Lithium One, Galaxy, Callco, Canco or the Depositary will notify the holder thereof and remit any unapplied balance of the net proceeds of such sale.

The Depositary will act as the agent of persons who have deposited Lithium One Common Shares pursuant to the Arrangement for the purpose of receiving the Galaxy Share Consideration and Exchangeable Share Consideration and transmitting the Galaxy Share Consideration and Exchangeable Share Consideration to such persons and receipt of the Galaxy Share Consideration and Exchangeable Share Consideration by the Depositary will be deemed to constitute receipt of payment by persons depositing Lithium One Common Shares.

With the exception of Lithium One Shareholders who have validly made the Share Facility Election to participate in the Share Sale Facility, settlement with persons who deposit Lithium One Common Shares will be effected by the Depositary forwarding written evidence of the book entry issuance in uncertificated form of, or certificates representing, the Galaxy Share Consideration and/or Exchangeable Share Consideration by first class insured mail, postage prepaid.

Arrangements Respecting Lithium One Options

Pursuant to the Arrangement Agreement, at the Effective Time, each of the "in the money" Lithium One Options shall be exchanged for that number of Galaxy Shares per Lithium One Option equal to the product determined by multiplying 1.96 by the quotient of (a) the positive difference between $1.55 and the exercise price of such Lithium One Option divided by (b) $1.55; provided, however, that if the aggregate number of Galaxy Shares that would otherwise be required to be issued to a Lithium One Optionholder as consideration for such Lithium One Optionholder's Lithium One Options would result in a fraction of a Galaxy Share being issued, the number of Galaxy Shares to be received by such Lithium One Optionholder will be rounded up. Any Lithium One Options which are not "in-the-money" shall immediately expire and be terminated without any consideration therefor.

Interests of Certain Persons in the Arrangement

In considering the recommendation of the Lithium One Board with respect to the Arrangement, Lithium One Securityholders should be aware that certain members of the Lithium One Board and of Lithium One's management

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have interests in connection with the transactions contemplated in the Arrangement, including those referred to below, that may create actual or potential conflicts of interest in connection with the transactions contemplated in the Arrangement. The Lithium One Board is aware of these interests and considered them along with the other matters described above in "The Arrangement — Recommendation of the Lithium One Board".

All benefits received, or to be received, by directors or executive officers of Lithium One as a result of the Arrangement are, and will be, solely in connection with their services as directors or employees of Lithium One. No benefit has been, or will be, conferred for the purpose of increasing the value of consideration payable to any such person for Lithium One Common Shares or Lithium One Options, nor is it, or will it be, conditional on the person supporting the Arrangement.

Lithium One Common Shares and Lithium One Options

The following table sets forth the names and positions of the directors and officers of Lithium One and as of the date hereof, the number and percentage of Lithium One Common Shares and Lithium One Options owned or over which control or direction was exercised by such director or officer of Lithium One and, where known after reasonable inquiry, by their respective associates or affiliates:

Name and Office Held	**Number and Percentage of Lithium One Common Shares[(1)(2)]**	**Number and Percentage of Lithium One Options[(1)(3)]**
Paul Matysek Chief Executive Officer, Director	4,166,300 5.92%	1,150,000 25.14%
Martin Rowley Chairman, Director	982,000 1.40%	925,000 20.22%
Patrick Highsmith President, Chief Operating Officer	50,000 0.07%	850,000 18.58%
Rebecca Hudson Chief Financial Officer	60,000 0.09%	50,000 1.09%
Iain Scarr Vice President	0 0%	325,000 7.10%
Maurice Colson Director	600,000 0.85%	150,000 3.28%
Jeffrey Pontius Director	700,000 0.99%	225,000 4.92%
Darren Pylot Director	407,692 0.58%	225,000 4.92%
Arvin Ramos Acting Chief Financial Officer	0 0%	100,000 2.19%

Notes:

(1) The information as to Lithium One Common Shares and Lithium One Options beneficially owned or controlled is not within the knowledge of Lithium One management and has been furnished by the respective individual.

(2) Based on 70,359,243 Lithium One Common Shares issued and outstanding as at the date hereof.

(3) Based on 4,575,000 Lithium One Options issued and outstanding as at the date hereof.

Employment or Consulting Agreements

Lithium One has entered into employment or consulting services agreements (the "**Employment Agreements**") with each of its executive officers, being: Martin Rowley (Chairman), Paul Matysek (Chief Executive Officer), Patrick Highsmith (President & Chief Operating Officer), Rebecca Hudson (Chief Financial Officer), and Iain Scarr (Vice President).

The Employment Agreements do not provide for any additional compensation to be paid to the executive officers solely as a result of a change of control such as the Arrangement; however, following the Arrangement, each such director and officer will be entitled to receive their respective termination payments in the event that such director or officer has elected to provide notice of termination of their employment upon the change of control. Should their employment be terminated, the executive officers will be entitled to the following termination payments:

Officer	Termination Payments
Paul Matysek	(a) 30 months of the base fee; and (b) in the absence of the Arrangement Options would vest immediately and would be exercisable in accordance with the terms of the Stock Option Plan for a period of 12 months post-termination.
Martin Rowley	(a) 24 months of the annual service fee; and (b) in the absence of the Arrangement Options would vest immediately and would be exercisable in accordance with the terms of the Stock Option Plan for a period of 30 days post-termination.
Rebecca Hudson and Iain Scarr	(a) 9 months of base salary; and (b) the continuation of the employee's medical benefits for 9 months.
Patrick Highsmith	(a) 24 months of base salary; and (b) the continuation of the employee's medical benefits for 24 months.

Lithium One has entered into additional agreements with certain of its officers and senior employees and officers and senior employees of its subsidiaries which provide for payments in the event of termination of their employment by Lithium One or such subsidiary in certain circumstances following a change of control or otherwise. In addition, certain of such officers and senior employees have guaranteed terms of employment that continue beyond the completion of the Arrangement. Galaxy has expressed an intention to retain certain officers of Lithium One following the completion of the Arrangement.

Intention of Lithium One Directors and Officers

The directors and officers of Lithium One, who collectively beneficially own or exercise control or direction over approximately 6,205,992 Lithium One Common Shares, and 3,725,000 Lithium One Options which represent approximately 13% of the Lithium One Common Shares on a fully-diluted basis, have entered into Voting Agreements pursuant to which, and subject to the terms thereof, they have agreed to vote all of their Lithium One Common Shares and Lithium One Options in favour of the Arrangement Resolution. See "Voting Agreements".

Procedure for Arrangement to Become Effective

The Arrangement is proposed to be carried out pursuant to Section 182 of the OBCA. The following procedural steps must be taken in order for the Arrangement to become effective:

(a) the Court must grant the Final Order approving the Arrangement;

(b) all conditions precedent to the Arrangement further described in the Arrangement Agreement must be satisfied or waived by the appropriate party (see "The Arrangement Agreement – Conditions Precedent"); and

(c) the Articles of Arrangement in the form prescribed by the OBCA must be filed with the OBCA Director.

Court Approval and Completion of the Arrangement

The Arrangement requires approval by the Court. Prior to the mailing of this Circular, Lithium One obtained the Interim Order providing for the calling and holding of the Meeting and other procedural matters. A copy of the

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Interim Order is attached hereto as Appendix G. A copy of the Notice of Application applying for the Final Order is attached hereto as Appendix F.

Subject to the approval of the Arrangement Resolution by Lithium One Securityholders at the Meeting, the hearing in respect of the Final Order is expected to take place on June 26, 2012 in the Court at 393 University Avenue, Toronto, Ontario, or as soon thereafter as is reasonably practicable. Any Lithium One Securityholder who wishes to appear or be represented and to present evidence or arguments must serve and file a notice of appearance as set out in the Notice of Application for the Final Order and satisfy any other requirements of the Court. The Court will consider, among other things, the fairness and reasonableness of the Arrangement and the rights of every person affected. The Court may approve the Arrangement in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court deems fit. The Court has further been advised that the exemption from the registration requirements of the 1933 Act provided by Section 3(a)(10) thereof will be based on the Final Order granted by the Court.

Assuming the Final Order is granted and the other conditions to closing contained in the Arrangement Agreement are satisfied or waived, it is currently anticipated that Articles of Arrangement for Lithium One will be filed with the OBCA Director to give effect to the Arrangement on June 27, 2012.

Although Lithium One's objective is to have the Effective Date occur as soon as possible after the Meeting, the Effective Date could be delayed for a number of reasons, including, but not limited to, an objection before the Court at the hearing of the application for the Final Order or any delay in obtaining any required regulatory approvals. Lithium One and Galaxy may terminate the Arrangement Agreement, whereby the Arrangement will not become effective without prior notice to or action on the part of Lithium One Shareholders. See "The Arrangement Agreement — Termination".

Depositary

Lithium One has retained the services of the Depositary for the receipt of the letter of transmittal and election forms and the certificates representing Lithium One Common Shares. The Depositary will receive reasonable and customary compensation for its services in connection with the Arrangement, will be reimbursed for certain reasonable out-of-pocket expenses and will be indemnified against certain liabilities, including liabilities under securities laws and expenses in connection therewith.

Expenses of the Arrangement

The combined estimated fees, costs and expenses of Lithium One and Galaxy in connection with the Arrangement including, without limitation, financial advisory fees, filing fees, legal and accounting fees, and printing and mailing costs are anticipated to be approximately $4 million.

DESCRIPTION OF EXCHANGEABLE SHARES AND RELATED AGREEMENTS

Description of Exchangeable Shares

The Exchangeable Shares, together with the Ancillary Rights, represent securities of a Canadian issuer having economic rights that are, as nearly as practicable, equivalent to those of Galaxy Shares. The receipt of Exchangeable Shares (as opposed to Galaxy Shares) permits certain Lithium One Shareholders to take advantage of a full or partial tax deferral available under the ITA. Certain Lithium One Shareholders resident in Canada may want to make a Consideration Election to receive Exchangeable Shares rather than Galaxy Shares.

The Exchangeable Shares shall be redeemable by Canco (on a one-for-one basis) for Galaxy Shares on or after the third anniversary of the effective date of the Arrangement, subject to earlier redemption rights arising if there are less than one million Exchangeable Shares outstanding or if there is a change of control of Galaxy. Holders of Exchangeable Shares shall not have any voting rights in respect of their Exchangeable Shares, but are entitled through special voting rights, administered through the Voting and Exchange Trust Agreement, to vote as if they were holders of Galaxy Shares.

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Callco shall have the overriding Call Rights to the Exchangeable Shares, pursuant to which, in accordance with the terms of the Arrangement Agreement, Callco shall have the right to purchase the Exchangeable Shares from the holders of such Exchangeable Shares upon payment by Callco of an amount per share equal to the Current Market Price of the Galaxy Shares on the last business day prior to the Call Rights triggering event, which shall be satisfied in full by Callco delivering or causing to be delivered to, or to the direction of, such holder one Galaxy Share, plus a cash payment of any dividend amount accrued for such holder, and each holder of the Exchangeable Shares shall be obligated to sell all the Exchangeable Shares to Callco and Canco shall have no obligation to pay any amounts to the holders of such Exchangeable Shares so purchased by Callco.

For the purposes of completing the purchase of the Exchangeable Shares pursuant to the Call Rights, as applicable, Callco shall deposit or cause to be deposited with the Transfer Agent, on or before the date for such purchase, the aggregate number of Galaxy Shares which Callco shall deliver or cause to be delivered to, or to the direction of, the holders of Exchangeable Shares and a cheque or cheques of Callco representing the aggregate amount of any accrued dividends. Provided that Callco has complied with its obligations, the holders of the Exchangeable Shares shall cease to be holders of the Exchangeable Shares and shall not be entitled to exercise any of the rights of holders in respect thereof (including any rights under the Voting and Exchange Trust Agreement), other than the right to receive their proportionate number of Galaxy Shares and accrued dividend amount.

Holders of the Exchangeable Shares may make a Facility Election to participate in the Share Sale Facility by making a valid Facility Election in a Retraction Request delivered to Canco prior to the Facility Expiry Date. Under the terms of the Share Sale Facility, holders of Exchangeable Shares will be able to sell some or all of the Galaxy Shares that they are entitled to receive as a result of the exchange of Exchangeable Shares for Galaxy Shares. See "Share Sale Facility".

A disadvantage of holding Exchangeable Shares is that the Exchangeable Shares will not be listed or posted for trading on any stock exchange, as a result of which there may be limited or no active trading markets for the Exchangeable Shares. Moreover, if the Call Rights are not exercised on redemption or retraction of the Exchangeable Shares, a holder of Exchangeable Shares may be deemed to receive a taxable dividend for Canadian tax purposes that may exceed the holder's economic gain. See "Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders and Lithium One Noteholders" and "Appendix C — Information Relating to Galaxy and Canco — Risk Factors — Risks Related to Exchangeable Shares".

The following is a summary description of the material provisions of the rights, privileges, restrictions and conditions attaching to the Exchangeable Shares and is qualified in its entirety by reference to the complete text thereof which is attached as Appendix I to the Plan of Arrangement, attached as Schedule B to the Arrangement Agreement which is attached to this Circular as Appendix E and also includes Article 5 of the Plan of Arrangement which provides for the rights of Callco to acquire Exchangebale Shares.

Ranking

The Exchangeable Shares shall be entitled to a preference over the common shares of Canco and any other shares ranking junior to the Exchangeable Shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of Canco, whether voluntary or involuntary, or any other distribution of the assets of Canco among its shareholders for the purpose of winding up its affairs.

Dividends and Other Distributions

A holder of an Exchangeable Share shall be entitled to receive and the board of directors of Canco shall declare, subject to applicable law, on each date (a "Galaxy Dividend Declaration Date") on which the board of directors of Galaxy declares a dividend on the Galaxy Shares:

(a) in case of a cash dividend declared on the Galaxy Shares, a cash dividend on the Exchangeable Shares in an amount for each Exchangeable Share equal to the cash dividend declared on each Galaxy Share on the Galaxy Dividend Declaration Date;

(b) in the case of a share dividend declared on the Galaxy Shares to be paid in Galaxy Shares, a stock dividend of such number of Exchangeable Shares for each Exchangeable Share as is equal to the number of Galaxy Shares to be paid on each Galaxy Share unless in lieu of such share dividend Canco elects to effect a corresponding and contemporaneous and economically equivalent (as determined by the board of directors of Canco) subdivision of the outstanding Exchangeable Shares; or

(c) in the case of a dividend or other distribution declared on the Galaxy Shares in property other than cash or Galaxy Shares, a dividend or other distribution in such type and amount of property for each Exchangeable Share as is the same as or economically equivalent (as determined by the board of directors of Canco) to the type and amount of property declared as a dividend on each Galaxy Share.

Such dividends or other distribution shall be paid out of money, assets or property of Canco properly applicable to the payment of dividends or other distribution, or out of authorized but unissued shares of Canco, as applicable. The holders of Exchangeable Shares will not be entitled to any dividends or other distribution other than or in excess of the foregoing.

The record date for the determination of the holders of Exchangeable Shares entitled to receive payment of, and the payment date for, any dividend or other distribution declared on the Exchangeable Shares will be the same dates as the record date and payment date, respectively, for the corresponding dividend or other distribution declared on the Galaxy Shares.

If on any payment date for any dividends declared on the Exchangeable Shares, the dividends are not paid in full on all of the Exchangeable Shares then outstanding, any such dividends or other distribution that remain unpaid will be paid on a subsequent date or dates determined by the board of directors of Canco on which Canco has sufficient moneys, assets or property properly applicable to the payment of such dividends or other distribution.

The board of directors of Canco is required to determine, in good faith and in its sole discretion, economic equivalence for the purposes of the Exchangeable Shares and each such determination will be conclusive and binding on Canco and its shareholders. In making each such determination, a number of factors set out in the Exchangeable Share provisions are, without excluding other factors determined by the board of directors of Canco to be relevant, to be considered by the board of directors of Canco.

Certain Restrictions

So long as any of the Exchangeable Shares are outstanding, Canco shall not at any time without, but may at any time with, the approval of the holders of the Exchangeable Shares:

(a) pay any dividends on the common shares of Canco or any other shares ranking junior to the Exchangeable Shares, other than share dividends payable in common shares of Canco or any such other shares ranking junior to the Exchangeable Shares, as the case may be;

(b) redeem or purchase or make any capital distribution in respect of common shares of Canco or any other shares ranking junior to the Exchangeable Shares;

(c) redeem or purchase any other shares of Canco ranking equally with the Exchangeable Shares with respect to the payment of dividends or the distribution of assets in the event of the liquidation, dissolution or winding-up of Canco, whether voluntary or involuntary, or any other distribution of the assets of Canco among its shareholders for the purpose of winding up its affairs;

(d) issue any Exchangeable Shares or any other shares of Canco ranking equally with the Exchangeable Shares other than by way of share dividend to the holders of such Exchangeable Shares; and

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(e) issue any shares of Canco ranking superior to the Exchangeable Shares.

The restrictions listed in (a), (b), (c) and (d) above shall not apply if all dividends on the outstanding Exchangeable Shares corresponding to dividends declared and paid to date on the Galaxy Shares shall have been declared and paid on the Exchangeable Shares.

Distribution on Liquidation

In the event of the liquidation, dissolution or winding-up of Canco or any other distribution of the assets of Canco among its shareholders for the purpose of winding up its affairs, subject to the exercise by Callco of its Liquidation Call Right, a holder of Exchangeable Shares shall be entitled, subject to applicable law, to receive from the assets of Canco in respect of each Exchangeable Share held by such holder on the Liquidation Date before any distribution of any part of the assets of Canco among the holders of the common shares of Canco or any other shares ranking junior to the Exchangeable Shares, an amount per share (the "Liquidation Amount") equal to the Current Market Price of a Galaxy Share on the last business day prior to the Liquidation Date plus the Dividend Amount which shall be satisfied in full by Canco delivering or causing to be delivered to such holder one Galaxy Share, plus an amount equal to the Dividend Amount.

Callco shall have the Liquidation Call Right, in the event of and notwithstanding the proposed liquidation, dissolution or winding-up of Canco or any other distribution of the assets of Canco among its shareholders for the purpose of winding up its affairs, to purchase from all but not less than all of the holders of Exchangeable Shares (other than any holder of Exchangeable Shares which is Galaxy or an affiliate of Galaxy) on the Liquidation Date all but not less than all of the Exchangeable Shares held by each such holder on payment by Callco of Liquidation Call Purchase Price equal to the Current Market Price of Galaxy Shares on the last business day prior to the Liquidation Date plus the Dividend Amount, which shall be satisfied in full by Callco delivering or causing to be delivered to such holder one Galaxy Share plus the Dividend Amount. In the event of the exercise of the Liquidation Call Right by Callco, each holder shall be obligated to sell all the Exchangeable Shares held by the holder to Callco on the Liquidation Date on payment by Callco to the holder of the Liquidation Call Purchase Price for each such share, and Canco shall have no obligation to pay any Liquidation Amount or Dividend Amount to the holders of such shares so purchased by Callco.

To exercise the Liquidation Call Right, Callco must notify the Transfer Agent, as agent for the holders of Exchangeable Shares, and Canco of Callco's intention to exercise such right at least 45 days before the Liquidation Date in the case of a voluntary liquidation, dissolution or winding-up of Canco or any other voluntary distribution of the assets of Canco among its shareholders for the purpose of winding up its affairs, and at least five business days before the Liquidation Date in the case of an involuntary liquidation, dissolution or winding-up of Canco or any other involuntary distribution of the assets of Canco among its shareholders for the purpose of winding up its affairs. The Transfer Agent will notify the holders of Exchangeable Shares as to whether or not Callco has exercised the Liquidation Call Right forthwith after the expiry of the period during which the same may be exercised by Callco. If Callco exercises the Liquidation Call Right, then on the Liquidation Date, Callco will purchase and the holders will sell all of the Exchangeable Shares then outstanding for a price per share equal to the Liquidation Call Purchase Price.

Retraction and Redemption of Exchangeable Shares and Call Rights

Holders of Exchangeable Shares will be entitled at any time following the Effective Time to retract (i.e., to require Canco to redeem) any or all Exchangeable Shares owned by them and to receive the Retraction Price therefor, subject to the Retraction Call Right described below. Holders of Exchangeable Shares may effect such retraction by presenting to Canco or its transfer agent the certificate(s) representing the Exchangeable Shares the holder desires to have Canco redeem, together with such other documents and instruments as may be required under the QBCA or the by-laws of Canco or by its transfer agent, and a duly executed Retraction Request (i) specifying that the holder desires to have all or any number specified therein of the Retracted Shares redeemed by Canco, (ii) stating the Retraction Date, provided that the Retraction Date is not less than ten business days nor more than fifteen business days after the date on which the Retraction Request is received by Canco and further provided that, in the event that no such business day is specified by the holder in the Retraction Request, the Retraction Date will be deemed to be the fifteenth business day after the date on which the Retraction Request is received by Canco, and (iii)

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acknowledging the Retraction Call Right of Callco to purchase all but not less than all the Retracted Shares directly from the holder and that the Retraction Request will be deemed to be a revocable offer by the holder to sell the Retracted Shares in accordance with the Retraction Call Right for the Retraction Price and on the terms and conditions described below.

Upon receipt by Canco of a Retraction Request, Canco will immediately notify Callco of the Retraction Request. If Callco exercises the Retraction Call Right and provided that the Retraction Request is not revoked by the holder in the manner described below, Canco will not redeem the Retracted Shares and Callco will purchase from such holder, and such holder will sell to Callco, on the Retraction Date the Retracted Shares for a purchase price equal to the Retraction Price. In the event that Callco does not exercise the Retraction Call Right, and provided that the Retraction Request is not revoked by the holder in the manner described below, Canco will redeem the Retracted Shares on the Retraction Date for the Retraction Price.

A holder of Retracted Shares may, by notice in writing given by the holder to Canco before the close of business on the business day immediately preceding the Retraction Date, withdraw such holder's Retraction Request, in which event such Retraction Request will be null and void and the revocable offer constituted by the Retraction Request to sell the Retracted Shares to Callco will be deemed to have been revoked.

Subject to applicable law, and provided that Callco has not exercised the Redemption Call Right, on the Redemption Date, if any, established by the board of directors of Canco, which date will not be earlier than the third anniversary of the date on which the Exchangeable Shares are first issued (except as described in the following paragraph), Canco will on the Redemption Date, upon at least 60 days prior notice to the holders of the Exchangeable Shares (except as provided below), redeem the whole of the then outstanding Exchangeable Shares by delivery of the Redemption Price to each holder thereof.

The Redemption Date may be earlier than the third anniversary of the date on which Exchangeable Shares are first issued, if prior to such date:

(a) there are fewer than 1,000,000 Exchangeable Shares outstanding (other than Exchangeable Shares held by Galaxy or its affiliates and subject to necessary adjustments to such number of shares to reflect permitted changes to Exchangeable Shares) and at least 60 days' prior written notice is given to the holders of the Exchangeable Shares and the trustee under the Voting and Exchange Trust Agreement;

(b) any merger, amalgamation, arrangement, take-over bid or tender offer, material sale of shares or rights or interest therein or thereto or similar transactions involving Galaxy, or any proposal to do so occurs, in which case, provided that the board of directors of Canco determines, in good faith and in its sole discretion, that it is not reasonably practicable to substantially replicate the terms and conditions of the Exchangeable Shares in connection with such transaction and that the redemption of all but not less than all of the outstanding Exchangeable Shares is necessary to enable the completion of such transaction in accordance with its terms, the board of directors of Canco may accelerate the Redemption Date to such date as it may determine, upon such number of days' prior written notice to the holders of the Exchangeable Shares and the Voting and Exchange Trustee as the board of directors of Canco may determine to be reasonably practicable in such circumstances;

(c) an Exchangeable Share Voting Event (as defined below) that is not an Exempt Exchangeable Share Voting Event (as defined below) is proposed and (i) the holders of the Exchangeable Shares fail to take the necessary action, at a meeting or other vote of holders of Exchangeable Shares, to approve or disapprove, as applicable, the Exchangeable Share Voting Event or the holders of the Exchangeable Shares do take the necessary action but in connection therewith, more than 2% of the holders of Exchangeable Shares exercise rights of dissent under the QBCA, and (ii) the board of directors of Canco determines in good faith that it is not reasonably practicable to accomplish the business purpose (which business purpose must be bona fide and not for the primary purpose of causing the occurrence of the Redemption Date) intended by the Exchangeable Share Voting Event in a commercially reasonable manner that does not result in an Exchangeable Share Voting

Event, in which case the Redemption Date shall be the business day following the later of the day on which the holders of the Exchangeable Shares failed to take such action, and the day the board of directors of Canco makes its determination; or

(d) an Exempt Exchangeable Share Voting Event is proposed and holders of the Exchangeable Shares fail to take the necessary action at a meeting or other vote of holders of Exchangeable Shares to approve or disapprove, as applicable, the Exempt Exchangeable Share Voting Event, in which case the Redemption Date shall be the business day following the day on which the holders of the Exchangeable Shares failed to take such action.

Notice of the Redemption Date will be sent to Galaxy and Callco at the same time as it is sent to the holders of Exchangeable Shares and, notwithstanding any proposed redemption of the Exchangeable Shares, Callco will have the Redemption Call Right to purchase all, but not less than all, of the outstanding Exchangeable Shares on the Redemption Date, which shall be satisfied in full by Callco delivering or causing to be delivered to such holder one Galaxy Share plus the Dividend Amount for each Exchangeable Share.

Galaxy shall also have the Change of Law Call Right, in the event of a Change of Law, to purchase (or to cause Callco to purchase) from all but not less than all of the holders of Exchangeable Shares (other than any holder of Exchangeable Shares which is an affiliate of Galaxy) all but not less than all of the Exchangeable Shares held by each such holder upon payment by Galaxy or Callco, as the case may be, of an amount per share which will be satisfied in full by delivering one Galaxy Share plus the Dividend Amount for each Exchangeable Share.

Unless the relevant Canadian tax legislation is amended, any Canadian tax deferral obtained by a Lithium One Shareholder who receives Exchangeable Shares under the Arrangement will end on the exchange or redemption of Exchangeable Shares. Moreover, if the Call Rights are not exercised on redemption of the Exchangeable Shares by Canco, a holder of Exchangeable Shares may realize a dividend for Canadian tax purposes that may exceed the holder's economic gain. See "Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders and Lithium One Noteholders".

Voting Rights

Except as required by applicable law and in respect of certain matters as further described in the share provisions of the Exchangeable Shares, the holders of the Exchangeable Shares will not be entitled as such to receive notice of or to attend any meeting of the shareholders of Canco or to vote at any such meeting. Without limiting the generality of the foregoing, the holders of the Exchangeable Shares will not have class votes except as required by applicable law.

Amendment and Approval

Any approval required to be given by the holders of the Exchangeable Shares to add to, change or remove any right, privilege, restriction or condition attaching to the Exchangeable Shares or any other matter requiring the approval or consent of the holders of the Exchangeable Shares in accordance with applicable law will be deemed to have been sufficiently given if it has been given in accordance with applicable law, subject to a minimum requirement that such approval be evidenced by a resolution passed by not less than two-thirds of the votes cast on such resolution at a meeting of holders of Exchangeable Shares duly called and held at which the holders of at least 10% of the outstanding Exchangeable Shares are present or represented by proxy.

Prior to the Effective Time, Galaxy will amend the articles of incorporation of Canco to provide for holders of Exchangeable Shares to participate in the Share Sale Facility attached hereto as Appendix K.

Voting and Exchange Trust Agreement

The following description of certain material provisions of the Voting and Exchange Trust Agreement is qualified in its entirety by reference to the complete text of the Voting and Exchange Trust Agreement, which is attached as Schedule J to the Arrangement Agreement which is attached to this Circular as Appendix E.

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The purpose of the Voting and Exchange Trust Agreement is to create a trust for the benefit of the registered holders from time to time of Exchangeable Shares (other than Galaxy or affiliates of Galaxy). The Voting and Exchange Trustee will hold the Special Voting Shares in order to enable the Voting and Exchange Trustee to exercise the voting rights attached thereto and will hold the Exchange Right and the Automatic Exchange Right (as such terms are defined in the Voting and Exchange Trust Agreement) in order to enable the Voting and Exchange Trustee to exercise such rights, in each case as trustee for and on behalf of such registered holders.

Voting Rights

Pursuant to the Voting and Exchange Trust Agreement, Galaxy will issue to the Voting and Exchange Trustee the Special Voting Shares to be held of record by the Voting and Exchange Trustee as trustee for and on behalf of, and for the use and benefit of, the registered holders from time to time of Exchangeable Shares (other than Galaxy or affiliates of Galaxy) and in accordance with the provisions of the Voting and Exchange Trust Agreement.

Under the Voting and Exchange Trust Agreement, the Voting and Exchange Trustee will be entitled to all of the voting rights, including the right to vote in person or by proxy, attaching to the Special Voting Shares on any matters that may properly come before the shareholders of Galaxy at a meeting of shareholders.

With respect to all meetings of shareholders of Galaxy at which holders of Galaxy Shares are entitled to vote and with respect to all written consents sought from shareholders of Galaxy, each registered holder of Exchangeable Shares shall be entitled to instruct the Trustee to cast and exercise for each Exchangeable Share owned of record by such holder on the record date established by Galaxy in respect of each matter to be voted at such meeting (or consented to in writing), a pro rata number of voting rights attached to the Special Voting Shares to be determined by reference to the total number of outstanding Exchangeable Shares not owned by Galaxy and its affiliates on the record date established by Galaxy or by applicable law. The aggregate voting rights attached to the Special Voting Shares at a Galaxy meeting in which shareholders of Galaxy are entitled to vote shall consist of a number of votes equal to one vote per outstanding Exchangeable Share from time to time not owned by Galaxy and its affiliates on the record date established by Galaxy, and for which the Trustee shall have received voting instructions from the holder of the Exchangeable Share.

The Voting and Exchange Trustee will exercise each vote attached to the Special Voting Shares only as directed by the relevant holder and, in the absence of instructions from a holder as to voting, the Voting and Exchange Trustee will not have voting rights with respect to such Exchangeable Share. A holder may, upon instructing the Voting and Exchange Trustee, obtain a proxy from the Voting and Exchange Trustee entitling the holder to vote directly at the relevant meeting the votes attached to the Special Voting Shares to which the holder is entitled.

The Voting and Exchange Trustee will send to the holders of the Exchangeable Shares the notice of each meeting at which the Galaxy shareholders are entitled to vote, together with the related meeting materials and a statement as to the manner in which the holder may instruct the Voting and Exchange Trustee to exercise the votes attaching to the Special Voting Shares, at the same time as Galaxy sends such notice and materials to the Galaxy shareholders. The Voting and Exchange Trustee will also send to the holders of Exchangeable Shares copies of all information statements, interim and annual financial statements, reports and other materials sent by Galaxy to the Galaxy shareholders at the same time as such materials are sent to the Galaxy shareholders. To the extent such materials are provided to the Voting and Exchange Trustee by Galaxy, the Voting and Exchange Trustee will also send to the holders all materials sent by third parties to Galaxy shareholders generally, including dissident proxy Circulars and tender and exchange offer Circulars, as soon as possible after such materials are first sent to Galaxy shareholders.

All rights of a holder of Exchangeable Shares to exercise votes attached to the Special Voting Shares will cease upon the exchange of such holder's Exchangeable Shares for Galaxy Shares.

Exchange upon Canco Insolvency Event

Galaxy agrees in the Voting and Exchange Trust Agreement that, upon the occurrence of a Canco Insolvency Event, the Trustee shall have the right to require Galaxy to purchase all or any part of the Exchangeable Shares from each or any holder, provided that the Voting and Exchange Trustee may exercise such right only on the basis of

instructions received from each such holder. The purchase price payable by Galaxy for each Exchangeable Share purchased pursuant to the Canco Insolvency Event will be satisfied by the delivery of one Galaxy Share to the holder thereof, together with an amount equal to the Dividend Amount, if any.

As soon as practicable following the occurrence of a Canco Insolvency Event or any event that with the passage of time or the giving of notice or both would be a Canco Insolvency Event, Canco and Galaxy will give written notice thereof to the Voting and Exchange Trustee. As soon as practicable after receiving such notice, or upon the Trustee becoming aware of a Canco Insolvency Event, the Voting and Exchange Trustee will give notice to each holder of Exchangeable Shares of such event and will advise the holder of its rights with respect to the Exchange Right.

Automatic Exchange upon Liquidation of Galaxy

Galaxy agrees in the Voting and Exchange Trust Agreement that, in the event of a Galaxy Liquidation Event, Galaxy will purchase all of the Exchangeable Shares from the holders thereof immediately prior to the effective date of such Galaxy Liquidation Event. The purchase price payable by Galaxy for each Exchangeable Share purchased pursuant to the Galaxy Liquidation Event will be satisfied by the delivery of one Galaxy Share for each Exchangeable Share purchased, together with an amount equal to the Dividend Amount, if any.

Support Agreement

The following is a summary description of the material provisions of the Support Agreement and is qualified in its entirety by reference to the complete text of the Support Agreement, which is attached as Schedule I to the Arrangement Agreement.

Pursuant to the Support Agreement, Galaxy has covenanted that, so long as any Exchangeable Shares not owned by Galaxy or its affiliates are outstanding, Galaxy will, among other things: (a) not declare or pay any dividend on the Galaxy Shares unless (i) on the same day Canco declares or pays, as the case may be, an equivalent dividend on the Exchangeable Shares and (ii) Canco has sufficient money or other assets or authorized but unissued securities available to enable the due declaration and the due and punctual payment, in accordance with applicable law, of an equivalent dividend on the Exchangeable Shares; (b) advise Canco in advance of the declaration of any dividend on the Galaxy Shares and take other actions reasonably necessary to ensure that the declaration date, record date and payment date for dividends on the Exchangeable Shares are the same as those for any corresponding dividends on the Galaxy Shares; (c) ensure that the record date for any dividend declared on the Galaxy Shares is not less than seven days after the declaration date of such dividend; (d) take all actions and do all things necessary to enable and permit Canco, in accordance with applicable law, to pay the Liquidation Amount, the Retraction Price or the Redemption Price to the holders of the Exchangeable Shares in the event of a liquidation, dissolution or winding-up of Canco, a Retraction Request by a holder of Exchangeable Shares or a redemption of Exchangeable Shares by Canco, as the case may be; (e) take all actions and do all things necessary or desirable to enable and permit Callco, in accordance with applicable law, to perform its obligations arising upon the exercise by it of the Liquidation Call Right, the Retraction Call Right, the Redemption Call Right (as such terms are defined in the Support Agreement) or the Change of Law Call Right (as such term is defined in the Plan of Arrangement), as the case may be; and (f) except in connection with any event, circumstance or action which causes or could cause the occurrence of a Redemption Date, not exercise its vote as a shareholder to initiate the voluntary liquidation, dissolution or winding up of Canco or any other distribution of the assets of Canco, nor take any action or omit to take any action that is designed to result in the liquidation, dissolution or winding up of Canco or any other distribution of the assets of Canco among its shareholders for purpose of winding up its affairs.

In order to protect the economic equivalence of the Exchangeable Shares, the Support Agreement provides that, so long as any Exchangeable Shares not owned by Galaxy or its affiliates are outstanding:

(a) Galaxy will not without prior approval of Canco and the prior approval of the holders of the Exchangeable Shares given in accordance with the terms of the Exchangeable Shares:

(i) issue or distribute Galaxy Shares (or securities exchangeable for or convertible into or carrying rights to acquire Galaxy Shares) to the holders of all or substantially all of the

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then outstanding Galaxy Shares by way of stock dividend or other distribution, other than an issue of Galaxy Shares (or securities exchangeable for or convertible into or carrying rights to acquire Galaxy Shares) to holders of Galaxy Shares (A) who exercise an option to receive dividends in Galaxy Shares (or securities exchangeable for or convertible into or carrying rights to acquire Galaxy Shares) in lieu of receiving cash dividends, or (B) pursuant to any dividend reinvestment plan or similar arrangement; or

(ii) issue or distribute rights, options or warrants to the holders of all or substantially all of the then outstanding Galaxy Shares entitling them to subscribe for or to purchase Galaxy Shares (or securities exchangeable for or convertible into or carrying rights to acquire Galaxy Shares); or

(iii) issue or distribute to the holders of all or substantially all of the then outstanding Galaxy Shares (A) shares or securities (including evidences of indebtedness) of Galaxy of any class (other than Galaxy Shares or securities convertible into or exchangeable for or carrying rights to acquire Galaxy Shares), (B) rights, options, warrants or other assets other than those referred to in clause (a)(ii) above, or (C) assets of Galaxy,

unless in each case the economic equivalent on a per share basis of such rights, options, securities, shares, evidences of indebtedness or other assets is issued or distributed simultaneously to holders of the Exchangeable Shares and at least seven days' prior written notice thereof is given to the holders of Exchangeable Shares.

(b) Galaxy will not without the prior approval of Canco and the prior approval of the holders of the Exchangeable Shares given in accordance with the terms of the Exchangeable Shares:

(i) subdivide, redivide or change the then outstanding Galaxy Shares into a greater number of Galaxy Shares; or

(ii) reduce, combine, consolidate or change the then outstanding Galaxy Shares into a lesser number of Galaxy Shares; or

(iii) reclassify or otherwise change Galaxy Shares or effect an amalgamation, merger, arrangement, reorganization or other transaction affecting Galaxy Shares;

unless the same or an economically equivalent change is simultaneously made to, or in the rights of the holders of, the Exchangeable Shares and at least seven days prior written notice is given to the holders of Exchangeable Shares; provided that, for greater certainty, the foregoing clause will not in any way limit or affect the right of Canco to accelerate the Redemption Date in accordance with the provisions described above under "Description of Exchangeable Shares - Retraction and Redemption of Exchangeable Shares and Call Rights" or to redeem (or the right of Callco to purchase pursuant to the Redemption Call Right) Exchangeable Shares on the Redemption Date, and will not apply if all of the Exchangeable Shares have been redeemed or purchased on such Redemption Date;

(c) Galaxy will ensure that the record date for any event referred to in paragraphs (a) or (b) above, or (if no record date is applicable for such event) the effective date for any such event, is not less than seven business days after the date on which such event is declared or announced by Galaxy (with contemporaneous notification thereof by Galaxy to Canco);

(d) The board of directors of Canco will be entitled to determine, acting in good faith and in its sole discretion, economic equivalence for the purposes of any event referred to in paragraphs (a) or (b) above and each such determination will be conclusive and binding on Galaxy; and

(e) Canco agrees that, to the extent required, upon due notice from Galaxy, Canco will use its best efforts to take or cause to be taken such steps as may be necessary for the purposes of ensuring that appropriate dividends are paid or other distributions are made by Canco, or subdivisions, redivisions or changes are made to the Exchangeable Shares, in order to implement the required economic equivalence with respect to the Galaxy Shares and Exchangeable Shares.

The Support Agreement provides that in the event that a tender offer, share exchange offer, issuer bid, takeover bid or similar transaction with respect to Galaxy Shares is proposed by Galaxy or is proposed to Galaxy or its shareholders and is recommended by the board of directors of Galaxy, or is otherwise effected or to be effected with the consent or approval of the board of directors of Galaxy, and the Exchangeable Shares are not redeemed by Canco or purchased by Callco pursuant to the Redemption Call Right, Galaxy will expeditiously and in good faith take all such actions and do all such things as are necessary or desirable to enable and permit holders of Exchangeable Shares (other than Galaxy and its affiliates) to participate in such offer to the same extent and on an economically equivalent basis as the holders of Galaxy Shares, without discrimination. Without limiting the generality of the foregoing, Galaxy will take all such actions and do all such things as are necessary or desirable to ensure that holders of Exchangeable Shares may participate in each such offer without being required to retract Exchangeable Shares as against Canco (or, if so required, to ensure that any such retraction, shall be effective only upon, and shall be conditional upon, the closing of such offer and only to the extent necessary to tender or deposit to the offer).

The Support Agreement also provides that, as long as any outstanding Exchangeable Shares are owned by any person or entity other than Galaxy or any of its affiliates, Galaxy will, unless approval to do otherwise is obtained from the holders of the Exchangeable Shares in accordance with the terms of the Exchangeable Shares, remain the direct or indirect beneficial owner of all issued and outstanding voting shares of Canco and Callco.

With the exception of changes for the purpose of (i) adding to the covenants of any or all of the parties, (ii) making certain necessary amendments, or (iii) curing ambiguities or clerical errors (provided, in each case, that the board of directors of each of Galaxy, Canco and Callco are of the opinion that such amendments are not prejudicial to the rights or interests of the holders of the Exchangeable Shares), the Support Agreement may not be amended without the approval of the holders of the Exchangeable Shares given in accordance with the terms of the Exchangeable Shares.

Under the Support Agreement, Galaxy will not exercise, and will prevent its affiliates from exercising, any voting rights which may be exercisable by holders of Exchangeable Shares from time to time with respect to any Exchangeable Shares owned by Galaxy or its affiliates on any matter considered at meetings of holders of Exchangeable Shares (including any approval sought from such holders in respect of matters arising under the Support Agreement).

DESCRIPTION OF GALAXY NOTES

Under the terms of the Arrangement all Lithium One Notes outstanding as at the Effective Time will be exchanged for Galaxy Notes, with each Galaxy Note having the same aggregate principal amount as the Lithium One Notes so exchanged, and all Lithium One Notes will expire and terminate in full on the Effective Date.

The Galaxy Notes issuable to the Lithium One Noteholders shall contain substantially the same terms and conditions as the Lithium One Notes, except that: (a) each Galaxy Note, pursuant to the terms thereof, will be exchangeable for Galaxy Shares and warrants to acquire Galaxy Shares ("Galaxy Warrants") up to and including October 29, 2012, with an exercise price per Galaxy Warrant to be adjusted in accordance with the exchange ratio as described in the Arrangement Agreement; (b) the Lithium One Notes provide that in the event of a change of control of Lithium One, Lithium One shall make an offer to each Lithium One Noteholder to purchase the Lithium One Notes at a price equal to 110% of the principal amount of the Lithium One Note which is not in the Galaxy Notes; (c) the Galaxy Notes contain an undertaking by Galaxy to list the Galaxy Shares issuable pursuant to the Galaxy Notes on the ASX; (d) the Galaxy Notes contain a representation by Galaxy that the outstanding Galaxy Shares are listed on the ASX and that the ASX has conditionally approved the issue and listing of the Galaxy Shares issuable upon exchange of the Galaxy Notes; (e) the Galaxy Notes contain a representation by Galaxy that it is not in material default of any of its obligations under both Canadian and Australian Laws; (f) the Galaxy Notes do not contain the covenant that

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Galaxy will use the proceeds from the Galaxy Notes to fund the Sal de Vida project in Argentina; and (g) the Galaxy Notes do not include several restrictive covenants that were in the Lithium One Notes. For a full description of the Galaxy Notes see "Appendix C — Information Relating to Galaxy and Canco – Description of Securities – Galaxy Notes".

THE ARRANGEMENT AGREEMENT

The following description of certain material provisions of the Arrangement Agreement is a summary only, is not comprehensive and is qualified in its entirety by reference to the full text of the Arrangement Agreement, a copy of which is attached as Appendix E to this Circular.

Representations and Warranties

The Arrangement Agreement contains customary representations and warranties, given by each of Lithium One, on the one hand, and Galaxy and Canco, on the other hand, in respect of matters pertaining to, among other things, organization, standing and corporate power, due authorization of the transaction, subsidiaries, capitalization, publicly filed documents, disclosure and other matters relating to the business and operations of Lithium One and Galaxy, which representations and warranties will not survive the completion of the Arrangement.

Conditions Precedent

Mutual Conditions Precedent

The Arrangement Agreement provides that completion of the Arrangement is subject to the satisfaction or waiver of a number of conditions precedent, which may only be waived by mutual consent of the parties, including:

(a) the Arrangement, with or without amendment, shall have been approved at the Meeting in accordance with the Interim Order;

(b) the Interim Order and the Final Order shall each have been obtained on terms consistent with the Arrangement Agreement, and shall not have been set aside or modified in a manner unacceptable to Lithium One and Galaxy, acting reasonably, on appeal or otherwise;

(c) the Galaxy Shareholder Approval shall have been obtained at the Galaxy Meeting;

(d) all waivers, consents, permits, orders and approvals of any Agency (including any Regulatory Approvals), and the expiry of any waiting periods (whether regulatory or contractual), the failure of which to obtain or receive, or the non-expiry of which, would or would reasonably be expected to be Materially Adverse to Lithium One or Galaxy and their respective subsidiaries, in each case taken as a whole, shall have been obtained, or received or shall have expired, as the case may be, and such waivers, consents, permits, orders and approvals shall be on terms that are not Materially Adverse to Lithium One or Galaxy and their respective subsidiaries, in each case taken as a whole;

(e) the Galaxy Shares, issuable to the Lithium One Shareholders pursuant to the Arrangement, pursuant to the rights attached to the Exchangeable Shares and pursuant to the Galaxy Notes shall have been approved for listing on the ASX, subject to official notice of issuance and subject to fulfilling listing requirements;

(f) there shall not be enacted or made any applicable Law that makes consummation of the Arrangement illegal or otherwise prohibited or enjoins Lithium One or Galaxy from consummating the Arrangement and such applicable Law (if applicable) continues to be in effect through the Outside Date;

(g) the Arrangement Agreement not having been terminated in accordance with its terms;

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(h) the distribution of the Galaxy Shares and the Exchangeable Shares pursuant to the Arrangement (including those Galaxy Shares distributable pursuant to the rights attached to the Exchangeable Shares and the Galaxy Notes) shall be exempt from the prospectus and registration requirements of applicable Laws either by virtue of exemptive relief from the applicable securities regulatory authorities or by virtue of applicable exemptions under applicable Law and the first trade of the Galaxy Shares and the Exchangeable Shares shall not be subject to resale restrictions under applicable Laws; and

(i) Galaxy obtains all shareholder approvals required from shareholders of Galaxy pursuant to the Corporations Act 2001 and the ASX Listing Rules (including, but not limited to the Galaxy Shareholder Approval).

Conditions Precedent in Favour of Lithium One

The Arrangement Agreement provides that Lithium One's obligation to complete the Arrangement is also subject to the satisfaction or waiver of a number of additional conditions, each of which are for the exclusive benefit of Lithium One and may be waived, in whole or in part, by Lithium One in its sole discretion, including:

(a) neither Galaxy nor Canco shall have failed to perform any of the obligations to be performed by it under the Arrangement Agreement on or prior to the Effective Time or, in the event of any failure, such failure is not Materially Adverse to Galaxy and its subsidiaries, taken as a whole;

(b) the representations and warranties of Galaxy and Canco under the Arrangement Agreement shall be true and correct in all respects except where a failure of such representations and warranties to be true and correct would not reasonably be expected to be Materially Adverse to Galaxy and its subsidiaries, taken as a whole (provided that the representations and warranties of Galaxy and Canco in relation to their financing commitments and the availability to Galaxy of sufficient financing to complete the Arrangement must in any event be true and correct in all respects) and Lithium One shall have received a certificate of each of Galaxy and Canco addressed to Lithium One and dated the Effective Date, signed on behalf of Galaxy by a senior officer of Galaxy (on Galaxy's behalf and without personal liability), and signed on behalf of Canco by a senior officer of Canco (on Canco's behalf and without personal liability) confirming the same as at the Effective Date;

(c) there shall not have occurred, since the date of the Arrangement Agreement, any event, change, effect or development that individually or in the aggregate, has had a Materially Adverse effect on Galaxy and its subsidiaries, taken as a whole; and

(d) at the Effective Time, Canco is a "taxable Canadian corporation" and not a "mutual fund corporation", each within the meaning of the ITA.

Conditions Precedent in Favour of Galaxy and Canco

The Arrangement Agreement provides that the obligations of Galaxy and Canco to complete the Arrangement are also subject to the satisfaction or waiver of a number of additional conditions, each of which may only be waived by Galaxy (for itself and on behalf of Canco), including:

(a) Lithium One shall not have failed to perform any of the obligations to be performed by it under the Arrangement Agreement on or prior to the Effective Time or, in the event of any failure, such failure is not Materially Adverse to Lithium One and its subsidiaries, taken as a whole;

(b) the representations and warranties of Lithium One under the Arrangement Agreement shall be true and correct in all respects except where a failure of such representations and warranties to be true and correct would not reasonably be expected to be Materially Adverse to Lithium One and its subsidiaries, taken as a whole, and Galaxy and Canco shall have received a certificate of Lithium

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One addressed to Galaxy and Canco and dated the Effective Date, signed on behalf of Lithium One by a senior officer of Lithium One (on Lithium One's behalf and without personal liability), confirming the same as at the Effective Date;

(c) there shall not have been delivered and not withdrawn notices of dissent with respect to the Arrangement in respect of more than 5% of the Lithium One Common Shares; and

(d) there shall not have occurred, since the date of the Arrangement Agreement, any event, change, effect or development that individually or in the aggregate, has had a Materially Adverse effect on Lithium One and its subsidiaries, taken as a whole.

Covenants

Each of Lithium One and Galaxy has agreed to certain covenants under the Arrangement Agreement, including using commercially reasonable efforts to satisfy the conditions precedent to their respective obligations under the Arrangement Agreement.

Alternative Transactions

Non-Solicitation

Except in respect of any action or inaction that is permitted by the Arrangement Agreement, each of Lithium One and Galaxy has agreed that it shall not (and shall not permit any of its subsidiaries to), directly or indirectly, through any of its or its subsidiaries' Representatives or otherwise:

(a) solicit, initiate, knowingly encourage, or facilitate (including by way of furnishing non-public information) any inquiries or the making by any third party of any proposals regarding an Acquisition Proposal;

(b) participate in any discussions or negotiations regarding an Acquisition Proposal;

(c) approve or recommend any Acquisition Proposal; or

(d) accept or enter into any agreement, arrangement or understanding related to any Acquisition Proposal.

In addition, each of Lithium One and Galaxy has agreed to:

(a) immediately cease and cause to be terminated any existing discussions or negotiations, directly or indirectly, with any person with respect to any Acquisition Proposal; and

(b) not, directly or indirectly, waive or vary any terms or conditions of any confidentiality or standstill agreement that it has entered into with any person considering any Acquisition Proposal and to promptly request the return (or the deletion from retrieval systems and data bases or the destruction) of all information, in each case subject to the terms and conditions of each such agreement.

Permitted Actions

Notwithstanding anything in the Arrangement Agreement, nothing shall prevent each of Lithium One or Galaxy and their respective subsidiaries or Representatives or board of directors from:

(a) complying with the obligations of the applicable board of directors under applicable securities Law to prepare and deliver a directors' circular in response to a take-over bid;

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(b) considering, participating in discussions or negotiations and entering into confidentiality agreements and providing information, in each case pursuant to the provisions of Section 6 of the Arrangement Agreement, regarding a bona fide written Acquisition Proposal that the board of directors of Lithium One or Galaxy has determined by formal resolution, in good faith and after receiving confirmation in support of the board's determination from its financial advisors and outside legal counsel, that such Acquisition Proposal could reasonably be expected, if consummated, to result in a Superior Proposal; and

(c) failing to recommend (in the case of Lithium One, to the Lithium One Securityholders, and in the case of Galaxy, to the Galaxy Shareholders) the matters to be approved by securityholders of either Lithium One or Galaxy at the Meeting or the Galaxy Meeting, as applicable, in connection with the Arrangement or withdrawing, amending, modifying or qualifying such recommendation, in a manner adverse to the other party, or failing to reaffirm such recommendation, within five business days after having been requested in writing by the other party to do so, in a manner adverse to the other party (a "Change of Recommendation") if, in the good faith judgment of its board of directors, after consultation with legal counsel, the failure to take such action would be inconsistent with such board of directors' exercise of fiduciary duties or such action or disclosure is otherwise required by applicable Law; provided that, for greater certainty, in the event of Change of Recommendation and a termination by the other party of the Arrangement Agreement in accordance with the applicable sections of the Arrangement Agreement, as the case may be, such party shall pay the Termination Fee as required by the applicable sections of the Arrangement Agreement.

Notification of Acquisition Proposal

Each Principal Party shall, as soon as practicable but in any event within 48 hours, notify the other Principal Party, at first orally and then promptly thereafter in writing, of any Acquisition Proposal received after the date hereof, or any amendments to that Acquisition Proposal, or any request for information relating to any Acquisition Proposal or any request for access to a Principal Party or any of its Subsidiaries or the properties, books, or records of a Principal Party or any of its Subsidiaries, by any person that such Principal Party reasonably believes is proposing to make, or has made, any Acquisition Proposal. Such notices shall include a description of the material terms and conditions of any proposal and the identity of the person making such proposal or inquiry, together with a copy of any such written Acquisition Proposal. The Principal Party providing notice shall thereafter provide such other details of the proposal or inquiry, discussions or negotiations as the other Principal Party may reasonably request and shall attach copies of all letters, agreements and other documentation (whether executed or in draft) exchanged by or on behalf of the notifying Principal Party and the party proposing such Acquisition Proposal. The notifying Principal Party shall keep the other Principal Party reasonably informed by way of further notices of the status including any change to the material terms of any such Acquisition Proposal.

Access to Information

If a Principal Party receives a request for information from a person that has made a bona fide written Acquisition Proposal that complies with the Arrangement Agreement, then, and only in such case, the board of directors of such Principal Party may, subject to (only if such person is not already party to a confidentiality agreement in favour of such Principal Party), the execution by such person of a confidentiality agreement, containing terms at least as favourable to such Principal Party as those contained in the Confidentiality Agreement and a prohibition on such person's use of any information regarding such Principal Party or its Subsidiaries for any reason whatsoever other than as relates to such person's evaluation and consummation of the transaction that is the subject of the Acquisition Proposal, provide such person with access to information regarding such Principal Party and its Subsidiaries; provided that such Principal Party sends a copy of any such confidentiality agreement to the other Principal Party promptly upon its execution and such Principal Party provides the other Principal Party (to the extent it has not already done so) with copies of the information provided to such person and promptly provides the other Principal Party with access to all information to which such person was provided access.

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Implementation of Superior Proposal

Subject to the rights of Galaxy described below under the heading "The Arrangement Agreement — Alternative Transactions — Response to the Superior Proposal", each of Lithium One and Galaxy may accept, approve or recommend (and thereby change its recommendation regarding the Arrangement) or enter into a definitive agreement, undertaking or arrangement in respect of a Superior Proposal in respect of which there has been no breach of the Arrangement Agreement if:

(a) such Principal Party has complied with its obligations under Section 6 of the Arrangement Agreement with respect to the Superior Proposal, including by providing the other Principal Party with all documentation required to be delivered and a copy of the Superior Proposal (including any draft agreement to be entered into by such Principal Party which governs the Superior Proposal);

(b) a period expiring at 5:00 p.m. (Toronto time) on the fifth business day (the "Response Period") after the later of (i) the date on which the other Principal Party received written notice from the board of directors of such Principal Party that it has resolved, subject only to compliance with the Arrangement Agreement, to accept, or enter into a definitive agreement, undertaking or arrangement in respect of, a Superior Proposal, and (ii) the date the other Principal Party received a copy of the Superior Proposal, has elapsed;

(c) the board of directors of such Principal Party has considered any amendment to the terms of the Arrangement Agreement proposed in writing by the other Principal Party (or on its behalf) before the end of the Response Period and determined in good faith, having first received confirmation in support of the board's determination from its financial advisors and outside legal counsel, that the Superior Proposal remains a Superior Proposal (as assessed against the Arrangement Agreement, together with the written amendments, if any, proposed by the other Principal Party before the end of the Response Period); and

(d) in the case of Lithium One, subject to neither Galaxy nor Canco being in breach of or having failed to perform any of its representations, warranties, covenants or agreements set forth in the Arrangement Agreement, where such breach or failure would render Galaxy and Canco incapable of consummating the Transactions, Lithium One has paid (or cause to be paid) to Galaxy the Termination Fee.

In the event that a Principal Party receives a Superior Proposal within 10 days of the date, in the case of Lithium One of the Meeting or in the case of Galaxy of the Galaxy Meeting, such Principal Party shall be entitled to adjourn or postpone the applicable meeting to a date that is not more than seven business days after the end of the Response Period and if the Response Period would not terminate before the Meeting or the Galaxy Meeting, as applicable, at the request of the Principal Party entitled to such Response Period, the other Principal Party shall adjourn the Meeting or the Galaxy Meeting, as the case may be, to a date that is no less than two and no more than five business days after the Response Period.

Response to the Superior Proposal

During the Response Period, the other Principal Party (the "Matching Party") shall have the right, but not the obligation, to offer in writing to amend the terms of the Arrangement Agreement. The board of directors of the Principal Party that received the Superior Proposal (the "Receiving Party") shall review any such written offer by the Matching Party to amend the Arrangement Agreement in good faith, in consultation with its financial advisors and outside legal counsel, to determine whether the Acquisition Proposal to which the Matching Party is responding would continue to be a Superior Proposal when assessed against the Arrangement Agreement, as would be amended in accordance with the written amendments, if any, proposed by the Matching Party before the end of the Response Period. If the board of directors of the Receiving Party does not so determine by formal resolution, it shall enter into an amended agreement with the Matching Party reflecting the Matching Party's proposed written amendments. If the board of directors of the Receiving Party does so determine then, the Receiving Party may terminate the Arrangement Agreement in accordance with its terms in order to enter into a definitive agreement, undertaking or

arrangement in respect of such Superior Proposal; provided that in no event shall the board of directors of the Receiving Party take any action prior to the end of the Response Period that may obligate the Receiving Party or any other person to seek to interfere with the completion of the Arrangement, or impose any "break-up," "hello" or other fees or options or rights to acquire assets or securities, or any other obligations that would survive completion of the Arrangement, on the Receiving Party or any of its subsidiaries, property or assets and provided further that the Receiving Party has paid such amounts (including any Termination Fee) as may be payable to the Matching Party upon termination in accordance with the Arrangement Agreement.

Termination

The Arrangement Agreement (other than certain specified terms which survive) may be terminated at any time before the Effective Time:

(a) by mutual agreement in writing executed by Lithium One and Galaxy (for itself and on behalf of Canco) (for greater certainty, without further action on the part of Lithium One Securityholders if termination occurs after the holding of the Meeting);

(b) by Lithium One:

(i) after the Outside Date, subject to compliance with certain notice and cure provisions set forth in the Arrangement Agreement, if the mutual conditions precedent or the conditions precedent in favour of Lithium One have not been satisfied or waived by Lithium One on or before the Outside Date, provided that Lithium One's failure to fulfill any of its obligations under the Arrangement Agreement or its breach of any of its representations and warranties under the Arrangement Agreement has not been the cause of, or resulted in, the failure of the Effective Time to occur by such Outside Date;

(ii) if there shall be enacted or made any applicable Law that makes consummation of the Arrangement illegal or otherwise prohibited or enjoins Lithium One, Canco or Galaxy from consummating the Arrangement and such applicable Law (if applicable) or enjoinment shall have become final and non-appealable;

(iii) at any time if the board of directors of Lithium One authorizes Lithium One to enter into a definitive agreement, undertaking or arrangement in respect of a Superior Proposal in the circumstances contemplated by the Arrangement Agreement (see "The Arrangement — Alternative Transactions — Implementation of Superior Proposal"), provided that concurrently with such termination, Lithium One pays the Termination Fee payable;

(iv) at any time following the Meeting, if Lithium One Securityholders do not cast (or do not cause to be cast) sufficient votes at the Meeting to permit completion of the Arrangement;

(v) at any time following the Galaxy Meeting if the Galaxy Shareholder Approval is not obtained at the Galaxy Meeting;

(vi) at any time if Galaxy or Canco has breached or failed to perform any of its representations, warranties, covenants or agreements set forth in the Arrangement Agreement, which breach or failure is, or would reasonably be expected to be, Materially Adverse to Galaxy and its subsidiaries as a whole;

(vii) if at any time, the board of directors of Galaxy, (A) prior to obtaining Galaxy Shareholder Approval, makes a Change of Recommendation; (B) approves, recommends, accepts or enters into any agreement, undertaking or arrangement in respect of an Acquisition Proposal (other than a confidentiality agreement as contemplated in the Arrangement Agreement) but excluding the resolutions referred to in Section 6.B(b) and Section 6.E(c) of the Arrangement Agreement; or

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(viii) at any time if Galaxy breaches or fails to perform any of the covenants or agreement set for in Section 6 of the Arrangement Agreement; and

(c) by Galaxy:

(i) after the Outside Date, subject to compliance with certain notice and cure provisions set forth in the Arrangement Agreement, if the mutual conditions precedent or the conditions precedent in favour of Galaxy and Canco have not been satisfied or waived by Galaxy on or before the Outside Date, provided that Galaxy's or Canco's failure to fulfill any of its obligations under the Arrangement Agreement or its breach of any of its representations and warranties under the Arrangement Agreement has not been the cause of, or resulted in, the failure of the Effective Time to occur by such Outside Date;

(ii) if there shall be enacted or made any applicable Law that makes consummation of the Arrangement illegal or otherwise prohibited or enjoins Lithium One, Canco or Galaxy from consummating the Arrangement and such applicable Law (if applicable) or enjoinment shall have become final and non-appealable;

(iii) at any time if the board of directors of Galaxy authorizes Galaxy to enter into a definitive agreement, undertaking or arrangement in respect of a Superior Proposal in the circumstances contemplated by the Arrangement Agreement (see "The Arrangement — Alternative Transactions — Implementation of Superior Proposal"), provided that concurrently with such termination, Galaxy pays the Termination Fee payable;

(iv) at any time following the Meeting, if Lithium One Securityholders do not cast (or do not cause to be cast) sufficient votes at the Meeting to permit completion of the Arrangement;

(v) at any time following the Galaxy Meeting if the Galaxy Shareholder Approval is not obtained at the Galaxy Meeting;

(vi) at any time if Lithium One has breached or failed to perform any of its representations, warranties, covenants or agreements set forth in the Arrangement Agreement, which breach or failure is, or would reasonably be expected to be, Materially Adverse to Lithium One and its subsidiaries as a whole;

(vii) if at any time, the board of directors of Lithium One, (A) prior to obtaining approval of the Lithium One Securityholders at the Meeting, makes a Change of Recommendation; (B) approves, recommends, accepts or enters into any agreement, undertaking or arrangement in respect of an Acquisition Proposal (other than a confidentiality agreement as contemplated in the Arrangement Agreement) but excluding the resolutions referred to in Section 6.B(b) and Section 6.E(c) of the Arrangement Agreement; or

(viii) at any time if Lithium One breaches or fails to perform any of the covenants or agreement set for in Section 6 of the Arrangement Agreement.

Termination Fee and Reimbursement of Expenses

Payments to Galaxy

If (a) Lithium One exercises its rights of termination in connection with the authorization of the board of directors of Lithium One for Lithium One to enter into a definitive agreement, undertaking or arrangement in respect of a Superior Proposal pursuant to the terms of the Arrangement Agreement, or (b) Galaxy exercises its rights of termination after the board of directors of Lithium One, prior to obtaining Lithium One Securityholder approvals at the Meeting, makes a Change of Recommendation or, in certain circumstances, approves recommends, accepts or enters into any agreement, undertaking or arrangement in respect of an Acquisition Proposal (other than a

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confidentiality agreement as contemplated in the Arrangement Agreement), Lithium One shall immediately pay (or cause to be paid) the Termination Fee to Galaxy in immediately available funds.

However, no such Termination Fee shall be payable by Lithium One in respect of a termination by Galaxy if Lithium One makes a Change of Recommendation (as discussed above), if within 5 business days after the public announcement by Galaxy of the results of the Acquisition Financing, the board of directors of Lithium One, after consultation with its legal and financial advisors, and Galaxy, determines (acting reasonably) to change its recommendation as a result of Lithium One having received notice from its financial advisor of its intention, acting reasonably, to withdraw or revoke the March Fairness Opinion.

If Galaxy exercises its right of termination as a result of a breach or failure by Lithium One to perform any of the covenants or agreements in the Arrangement Agreement, Lithium One shall immediately pay (or cause to be paid) to Galaxy in immediately available funds to an account designated by Galaxy all properly documented fees, costs and expenses incurred by Galaxy in connection with the transactions contemplated by the Arrangement Agreement and the Arrangement, up to a maximum of $750,000.

If, prior to the time of the Meeting, a bona fide written Acquisition Proposal in relation to Lithium One or its subsidiaries has been publicly announced and has not been withdrawn and at any time within the six months after the date of such termination, Lithium One approves, recommends, accepts, enters into any agreement, undertaking or arrangement in respect of, or consummates such Acquisition Proposal or such Acquisition Proposal is completed, Lithium One shall immediately pay to Galaxy on closing of such Acquisition Proposal the Termination Fee in immediately available funds to an account designated by Galaxy.

Payments to Lithium One

If (a) Galaxy exercises its rights of termination in connection with the authorization of the board of directors of Galaxy for Galaxy to enter into a definitive agreement, undertaking or arrangement in respect of a Superior Proposal pursuant to the terms of the Arrangement Agreement, or (b) Lithium One exercises its rights of termination after the board of directors of Galaxy, prior to obtaining Galaxy Shareholder Approval at the Galaxy Meeting, makes a Change of Recommendation or, in certain circumstances, approves recommends, accepts or enters into any agreement, undertaking or arrangement in respect of an Acquisition Proposal (other than a confidentiality agreement as contemplated in the Arrangement Agreement), Galaxy shall immediately pay (or cause to be paid) the Termination Fee to Lithium One in immediately available funds.

If Lithium One exercises its right of termination as a result of a breach or failure by Galaxy to perform any of the covenants or agreements in the Arrangement Agreement, Galaxy shall immediately pay (or cause to be paid) to Lithium One in immediately available funds to an account designated by Lithium One all properly documented fees, costs and expenses incurred by Lithium One in connection with the transactions contemplated by the Arrangement Agreement and the Arrangement, up to a maximum of $750,000.

If, prior to the time of the Galaxy Meeting, a bona fide written Acquisition Proposal in relation to Galaxy or its subsidiaries has been publicly announced and has not been withdrawn and at any time within the six months after the date of such termination, Galaxy approves, recommends, accepts, enters into any agreement, undertaking or arrangement in respect of, or consummates such Acquisition Proposal or such Acquisition Proposal is completed, Galaxy shall immediately pay to Lithium One on closing of such Acquisition Proposal the Termination Fee in immediately available funds to an account designated by Lithium One.

VOTING AGREEMENTS

Galaxy and Canco entered into the Voting Agreements with each of the Voting Shareholders pursuant to which the Voting Shareholders have agreed, subject to the terms and conditions thereof, to vote their Lithium One Common Shares and Lithium One Options in favour of the Arrangement Resolution. The Voting Shareholders collectively beneficially own or exercise control or direction over 6,205,992 Lithium One Common Shares, 3,725,000 Lithium One Options collectively representing approximately 13% of the Lithium One Common Shares on a fully-diluted basis. Lithium One Noteholders, holding 100% of the outstanding Lithium One Notes, have also entered into

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Voting Agreements pursuant to which the Lithium One Noteholders have agreed, subject to the terms and conditions thereof, to vote their Lithium One Notes in favour of the Arrangement Resolution.

Voting Agreements with Directors and Officers of Lithium One

The following description of certain material provisions of the Voting Agreements with directors and officers of Lithium One is a summary only and is not comprehensive.

Certain directors and officers of Lithium One have entered into a Voting Agreement pursuant to which each such director or officer has agreed, on and subject to the terms thereof, to vote his or her Lithium One Common Shares and Lithium One Options in favour of the Arrangement Resolution. In addition, any additional securities of Lithium One in respect of which a Voting Shareholder acquires direct or indirect legal or beneficial ownership or control or direction shall be deemed to be subject to their respective Voting Agreement. The Voting Shareholder irrevocably waives and agrees, in favour of Galaxy, not to exercise any rights of appraisal or rights of dissent the Voting Shareholder may have arising from the Arrangement. In addition, each of the Voting Shareholders agreed that, except as permitted by their respective Voting Agreement, until the earlier of the Effective Date and the termination of the Arrangement Agreement, such Voting Shareholder, except as required pursuant to any fiduciary duties or other legal obligation to act in the best interests of Lithium One that the Voting Shareholder may have as a director or officer of Lithium One, will not: (a) sell, transfer, gift, assign, pledge, hypothecate, convert, encumber or otherwise dispose of any of the Voting Shareholder's Lithium One Common Shares or Lithium One Options, or any right or interest therein (legal or equitable) or any additional securities of Lithium One in respect of which it acquires direct or indirect legal or beneficial ownership or control or direction after the date of the Voting Agreement; or (b) grant any proxies or powers of attorney, or deposit such Voting Shareholder's Lithium One Common Shares or Lithium One Options into any voting trust or enter into a voting agreement, pooling agreement, understanding or arrangement with respect to the Lithium One Common Shares or Lithium One Options.

In addition, each of the Voting Shareholders agreed that until the earlier of the Effective Date and the termination of the Arrangement Agreement, it will vote (or cause to be voted) all of the Voting Shareholder's Lithium One Common Shares or Lithium One Options at any meeting of the shareholders of Lithium One: (i) in favour of the approval, consent, ratification and adoption of the Arrangement (and any actions required in furtherance thereof); (ii) against any action that would impede, delay, interfere or discourage the Arrangement; and (iii) against any action that would result in any breach of any representation, warranty or covenant of Lithium One in the Arrangement Agreement.

When not in material default in the performance of its obligations under the respective Voting Agreement or the Arrangement Agreement, Galaxy may, without prejudice to any of its rights under the respective Voting Agreement and in its sole discretion, terminate the respective Voting Agreement by written notice to the Voting Shareholder.

Each of the Voting Agreements shall automatically terminate on the earlier of (a) the termination of the Arrangement Agreement in accordance with its terms and (b) the Expiry Date.

Voting Agreements with Lithium One Noteholders

The following description of certain material provisions of the Voting Agreements with Lithium One Noteholders is a summary only and is not comprehensive.

Each Lithium One Noteholder has entered into a Voting Agreement pursuant to which such Voting Noteholder has agreed, on and subject to the terms thereof, to vote its Lithium One Notes in favour of the Arrangement Resolution. The Voting Noteholder irrevocably waives and agrees, in favour of Galaxy, not to exercise any rights of appraisal or rights of dissent the Voting Noteholder may have arising from the Arrangement. In addition, each of the Voting Noteholders agreed that, except as permitted by their respective Voting Agreement, until the earlier of the Effective Date and the termination of the Arrangement Agreement, such Voting Noteholder will not: (a) sell, transfer, gift, assign, pledge, hypothecate, convert, encumber or otherwise dispose of any of the Voting Noteholder's Lithium One Notes; (b) grant any proxies or powers of attorney, or deposit such Voting Noteholder's Lithium One Note into any

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voting trust or enter into a voting agreement, pooling agreement, understanding or arrangement with respect to the Lithium One Note; or (c) exercise any rights of exchange or conversion in respect of the Lithium One Note.

In addition, each of the Voting Noteholders agreed that until the earlier of the Effective Date and the termination of the Arrangement Agreement, it will: (i) vote in favour of, or consent to, as applicable, the approval, consent, ratification and adoption of the Arrangement (and any actions required in furtherance thereof); (ii) vote against, or withhold consent for, as applicable, any action that would impede, delay, interfere or discourage the Arrangement; and (iii) vote against, or withhold consent for, as applicable, any action that would result in any breach of any representation, warranty or covenant of Lithium One in the Arrangement Agreement.

When not in material default in the performance of its obligations under the respective Voting Agreement or the Arrangement Agreement, Galaxy may, without prejudice to any of its rights under the respective Voting Agreement and in its sole discretion, terminate the respective Voting Agreement by written notice to the Voting Noteholder.

Each of the Voting Agreements shall automatically terminate on the earlier of (a) the termination of the Arrangement Agreement in accordance with its terms and (b) the Effective Time.

REGULATORY MATTERS

The consummation of the Arrangement is, or may be, conditional upon certain filings with, notices to and consents, approvals and actions of, various Agencies with respect to the transactions contemplated by the Arrangement Agreement being made and received prior to the Effective Time. These approvals are summarized below.

Canadian Securities Law Matters

Resale of Exchangeable Shares and Galaxy Shares

The Exchangeable Shares and Galaxy Shares to be issued to Lithium One Shareholders pursuant to the Arrangement, together with the Galaxy Shares issuable on the exchange of the Exchangeable Shares, will be issued pursuant to an exemption from the prospectus and registration requirements of applicable securities Laws of the provinces and territories of Canada under Section 2.11 of NI 45-106 - *Prospectus and Registration Exemptions* and will generally not be subject to any resale restrictions under such securities Laws (provided that (i) the issuer of such shares is and has been a reporting issuer in a jurisdiction of Canada for the four months immediately preceding the trade (pursuant to Section 2.9 of NI 45-102, upon completion of the Arrangement and provided that Canco and Galaxy are reporting issuers in a jurisdiction in Canada at that time, Canco and Galaxy will be deemed to have been a reporting issuer from the time that Lithium One was a reporting issuer); (ii) the trade is not a control distribution; (iii) no unusual effort is made to prepare the market or to create a demand for the security that is the subject of the trade; (iv) no extraordinary commission or consideration is paid to a person or company in respect of the trade; (v) if the selling security holder is an insider or officer of the issuer, the selling security holder has no reasonable grounds to believe that the issuer is in default of securities legislation, and (vi) such holder is not a person or company engaged in or holding itself out as engaging in the business of trading securities or such trade is made in accordance with applicable dealer registration requirements or in reliance upon an exemption from such requirements). Lithium One Shareholders should consult with their own financial and legal advisors with respect to any restrictions on the resale of Exchangeable Shares and Galaxy Shares received on completion of the Arrangement and Galaxy Shares issued on exchange of Exchangeable Shares. Each of Galaxy and Canco will be deemed to be a reporting issuer in each of the Provinces of British Columbia, Alberta, Ontario and Quebec as a result of the Arrangements with Lithium One which is currently a reporting issuer in British Columbia, Alberta, Ontario and Quebec. An application shall be made to the Ontario Securities Commission so that Canco will be designated a reporting issuer.

It is a condition to the completion of the Arrangement pursuant to the terms of the Arrangement Agreement that the distribution of the Galaxy Shares and the Exchangeable Shares pursuant to the Arrangement (including those Galaxy Shares distributable pursuant to the rights attached to the Exchangeable Shares and the Galaxy Notes) shall be exempt from the prospectus and registration requirements of applicable Law either by virtue of exemptive relief from the applicable securities regulatory authorities or by virtue of applicable exemptions under applicable Law and

the first trade of the Galaxy Shares and the Exchangeable Shares shall not be subject to resale restrictions under applicable Law.

Ongoing Canadian Reporting Obligations

Galaxy will, upon completion of the Arrangement, be required to comply with Canadian statutory financial and other continuous and timely reporting requirements, including the requirement for insiders of Galaxy to file reports with respect to trades of Galaxy securities.

Pursuant to Section 13.3 of NI 51-102, Canco will be exempt from Canadian statutory financial and other continuous and timely reporting requirements, including the requirement for insiders of Canco to file reports with respect to trades of Canco securities, so long as the conditions prescribed by Section 13.3 of NI 51-102 are satisfied, including that Canco concurrently sends to holders of Exchangeable Shares all financial and other continuous and timely disclosure documents that Galaxy sends to holders of Galaxy Shares in the manner and at the time required by NI 71-102. In the event Canco is not able to rely on Section 13.3 of NI 51-102, management of Galaxy expects that Canco will apply to the applicable Canadian securities regulatory authorities for exemptive relief from the continuous disclosure obligations imposed by NI 51-102 similar to that provided by Section 13.3 of NI 51-102.

Special Transaction Rules

Since Lithium One is a reporting issuer in the provinces of Ontario and Québec, the Arrangement is subject to MI 61-101. MI 61-101 is intended to regulate certain transactions to ensure that all securityholders are treated in a manner that is fair, generally requiring enhanced disclosure, approval by a majority of securityholders excluding interested or related parties, independent valuations and, in certain instances, approval and oversight of certain transactions by a special committee of independent directors. The protections afforded by MI 61-101 apply to "business combinations" (as such term is defined in MI 61-101).

The Arrangement is a business combination under MI 61-101 since, as described below under the heading "Regulatory Matters — Canadian Securities Law Matters — Special Transaction Rules — Disclosure Concerning Certain Benefits", each of Paul Matysek, Chief Executive Officer and Director of Lithium One and Martin Rowley, Chairman of Lithium One are a related party of Lithium One and are entitled to receive a "collateral benefit" (as such term is defined in MI 61-101) as a consequence of the Arrangement.

Minority Approval

MI 61-101 requires that, in addition to any other required securityholder approval, a business combination is subject to Minority Approval. In relation to the Arrangement and for purposes of the required Lithium One Securityholder approval for the Arrangement, the "minority" shareholders of Lithium One are all Lithium One Shareholders other than (i) Galaxy, (ii) any interested party to the Arrangement within the meaning of MI 61-101, (iii) any related party to such interested party within the meaning of MI 61-101 (subject to the exceptions set out therein), and (iv) any person that is a joint actor with a person referred to in the foregoing clauses (ii) or (iii) for the purposes of MI 61-101.

As described below, Paul Matysek and Martin Rowley are each an interested party in connection with the Arrangement and each is entitled to receive a "collateral benefit" such that any Lithium One Common Shares beneficially owned, or over which control or direction is exercised by each of Mr. Matysek or Mr. Rowley or any of their joint actors must be excluded for the purposes of determining whether Minority Approval has been obtained.

Accordingly, to the knowledge of the directors and executive officers of Lithium One, after reasonable inquiry, an aggregate of 5,148,300 votes attached to the Lithium One Common Shares and an aggregate of 2,075,000 votes attached to the Lithium One Options beneficially owned or over which control or direction is exercised by each of Mr. Matysek and Mr. Rowley, representing in the aggregate amount approximately 10.3% of the issued and outstanding Lithium One Common Shares, will be excluded in determining whether Minority Approval has been obtained for the purposes of MI 61-101.

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Disclosure Concerning Certain Benefits

On April 1, 2011, Lithium One entered into a consulting services agreement with Bedrock Capital Corporation Ltd. ("Bedrock") to engage Paul Matysek of Bedrock to perform certain management services. Under the terms of the agreement, Mr. Matysek will be entitled to receive (i) a payment equal to 30 months salary (equal to $450,000) in the event that he terminates his engagement within five days of a change of control of Lithium One; or (ii) a payment equal to 24 months base salary (equal to $360,000) in the event that his engagement is terminated by Lithium One, provided that Lithium One may not terminate his engagement within 12 months of a change of control of Lithium One. On April 1, 2011, Lithium One entered into a consulting services agreement with Jaeger Investments Pty Ltd. ("Jaeger") to engage Martin Rowley of Jaeger to perform certain management services. Under the terms of the agreement, Mr. Rowley will be entitled to receive (i) a payment equal to $300,000 in the event that he terminates his engagement within 90 days of a change of control of Lithium One; or (ii) a payment equal to $300,000 in the event that his engagement is terminated by Lithium One, within 24 months of a change of control of Lithium One. The Arrangement will result in a "change of control" for the purposes of Mr. Matysek's and Mr. Rowley's agreements and any severance benefits that Mr. Matysek or Mr. Rowley may receive as a consequence of the Arrangement are considered to be "collateral benefits" for the purposes of MI 61-101.

Certain other officers of Lithium One also have agreements which provide, in certain circumstances, for the payment of severance benefits upon a "Change of Control", however, those officers own or control less than one percent of the issued and outstanding Lithium One Shares and therefore such benefits are not considered to be "collateral benefits" for the purposes of MI 61-101.

Formal Valuation Requirements

MI 61-101 requires in certain circumstances that an issuer carrying out a business combination obtain a formal valuation prepared by an independent valuator. The Arrangement is not a prescribed class of business combination for which a formal valuation is required pursuant to MI 61-101.

United States Securities Law Matters

Intention to List in the United States

Galaxy does not currently intend to seek a listing for the Galaxy Shares, or the Galaxy Shares issued upon exercise of the Exchangeable Shares, on a stock exchange in the United States.

Exemption from the Registration Requirements of the 1933 Act

The Galaxy Shares and Exchangeable Shares issuable in connection with the Arrangement will be issued in reliance upon the exemption from registration provided by Section 3(a)(10) of the 1933 Act and exemptions provided under the securities laws of each state of the United States in which Lithium One Shareholders reside. Section 3(a)(10) of the 1933 Act exempts from registration a security that is issued in exchange for outstanding securities where the terms and conditions of such issuance and exchange are approved, after a hearing upon the fairness of such terms and conditions at which all persons to whom the securities will be issued have the right to appear and receive timely notice thereof, by a court or by a governmental authority expressly authorized by law to grant such approval. The Final Order of the Court will, if granted, constitute a basis for the exemption from the registration requirements of the 1933 Act with respect to the Galaxy Shares and Exchangeable Shares issued in connection with the Arrangement.

Resale of Galaxy Shares and Exchangeable Shares in the United States

In certain circumstances, the 1933 Act will impose restrictions on the resale of Galaxy Shares and Exchangeable Shares received pursuant to the Arrangement in the United States. The restrictions on resale imposed by the 1933 Act will depend on whether the recipients of Galaxy Shares and Exchangeable Shares are "affiliates" of Galaxy. For the purpose of the 1933 Act, an "affiliate" of an issuer is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the issuer and generally include

executive officers and directors of the issuer as well as principal shareholders of the issuer. "Control" means the possession, direct or indirect, of the power to direct or cause direction of the management and policies of an issuer, whether through the ownership of voting securities, by contract or otherwise.

Lithium One Shareholders who are not affiliates of Galaxy after consummation of the Arrangement may freely resell Galaxy Shares or Exchangeable Shares received pursuant to the Arrangement in the United States. Any Lithium One Shareholder who is or becomes an affiliate of Galaxy may not resell Galaxy Shares or Exchangeable Shares received pursuant to the Arrangement except in transactions permitted by the resale provisions of Rule 144 or Rule 904 of Regulation S promulgated under the 1933 Act, or pursuant to an effective registration statement.

Affiliates – Rule 144

In general, under Rule 144, persons who are affiliates of Galaxy after the completion of the Arrangement will be entitled to sell in the United States, during any three-month period, the Galaxy Shares or Exchangeable Shares that they receive in connection with the Arrangement, provided that the number of such securities sold does not exceed the greater of one percent of the then outstanding securities of such class or, if such securities are listed on a United States securities exchange and/or reported through the automated quotation system of a registered securities association, the average weekly trading volume of such securities during the four calendar week period preceding the date of sale, subject to specified restrictions on manner of sale, requirements, aggregation rules and the availability of current public information about Galaxy.

Persons who are affiliates of Galaxy after the completion of the Arrangement will continue to be subject to the resale restrictions described in this paragraph for so long as they continue to be affiliates of Galaxy.

Affiliates – Regulation S

In general, under Regulation S, persons who are affiliates of Galaxy solely by virtue of their status as an officer or director of Galaxy may sell their Galaxy Shares or Exchangeable Shares outside the United States in an "offshore transaction" if neither the seller, an affiliate nor any person acting on its behalf engages in "directed selling efforts" in the United States and provided that no selling commission, fee or other remuneration is paid in connection with such sale other than the usual and customary broker's commission that would be received by a person executing such transaction as agent. For purposes of Regulation S "directed selling efforts" means "any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the securities being offered". Also, under Regulation S, an "offshore transaction" includes an offer that is not made to a person in the United States where either (a) at the time the buy order is originated, the buyer is outside the United States or the seller reasonably believes that the buyer is outside of the Unites States; or (b) the transaction is executed in, on or through the facilities of a designated offshore securities market (which would include a sale through the ASX, if applicable). Certain additional restrictions, set forth in Rule 903 of Regulation S, are applicable to sales outside the United States by a holder of Galaxy Shares or Exchangeable Shares who is an affiliate of Galaxy after the completion of the Arrangement other than by virtue of his or her status as an officer or director of Galaxy.

Registration of Galaxy Shares Issued Upon Exchange of the Exchangeable Shares

The Galaxy Shares to be issued upon exchange of the Exchangeable Shares are not covered by the Section 3(a)(10) exemption from registration referenced above and may be issued only in accordance with an applicable exemption from the registration requirements of the 1933 Act referred above. Accordingly, resales of such Galaxy Shares will be subject to applicable restrictions imposed by the 1933 Act. Holders of such shares can resell such shares pursuant to Rule 144 or Rule 904 of Regulation S promulgated under the 1933 Act or pursuant to an effective registration statement under the 1933 Act. Galaxy does not intend to file a registration statement in order to register under the 1933 Act the Galaxy Shares issued upon exchange of the Exchangeable Shares.

The foregoing discussion is only a general overview of the requirements of the U.S. securities laws that may be applicable to the resale of Galaxy Shares or Exchangeable Shares received pursuant to the Arrangement.

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Recipients of Galaxy Shares and Exchangeable Shares are urged to obtain legal advice to ensure that their resale of such securities complies with applicable U.S. securities laws.

Australian Securities Law Matters

The Galaxy Shares to be issued pursuant to the Arrangement (including those to be issued on exchange of the Exchangeable Shares, conversion of the Galaxy Notes and exercise of the Galaxy Warrants) may not be resold in Australia to a retail investor within 12 months of the date of issue of the relevant shares unless Galaxy issues a disclosure document such as a prospectus, complies with relevant Class Order relief or obtains specific relief from ASIC or unless the Corporations Act 2001 provides otherwise.

The issue of the Galaxy Shares (including those to be issued on exchange of the Exchangeable Shares, conversion of the Galaxy Notes and exercise of the Galaxy Warrants) is not being undertaken by Galaxy with the purpose of the holder selling or transferring their Galaxy Shares. However, Galaxy consider that the Lithium One securityholders who receive Galaxy Shares (including those to be issued on exchange of the Exchangeable Shares, conversion of the Galaxy Notes and exercise of the Galaxy Warrants) should be able to sell their Galaxy Shares should they wish to do so.

Accordingly, in order to ensure that all Galaxy Shares to be issued pursuant to the Arrangement (including those to be issued on exchange of the Exchangeable Shares, conversion of the Galaxy Notes and exercise of the Galaxy Warrants) will be freely tradable and not subject to any resale restrictions within Australia:

(i) in respect of the Galaxy Shares to be issued on the Effective Date and the Galaxy Shares to be issued on conversion of the Galaxy Notes and exercise of the Galaxy Warrants, Galaxy will be required to issue a notice in accordance with section 708A of the Corporations Act 2001 on each occasion that any such Galaxy Shares are issued; and

(ii) in respect of the Galaxy Shares to be issued on exchange of the Exchangeable Shares, Galaxy is seeking specific relief from ASIC to allow the resale of such Galaxy Shares, without Galaxy having to issue a notice in accordance with section 708A of the Corporations Act 2001 each time that Exchangeable Shares are exchanged for Galaxy Shares. If Galaxy does not obtain relief, such a notice will need to be issued each time that Exchangeable Shares are exchanged for Galaxy Shares.

This process outlined above will ensure that the Galaxy Shares are freely tradable.

Stock Exchange Approval

Galaxy will apply for quotation of the Galaxy Shares issuable by Galaxy under the Arrangement. Galaxy will not apply for quotation of the Exchangeable Shares or the Special Voting Shares on the ASX or any other exchange. Galaxy will apply for quotation on the ASX of the Galaxy Shares issuable upon the exercise of Exchangeable Shares.

Galaxy is seeking confirmation from the ASX that the terms that apply to the Exchangeable Shares and the Special Voting Shares are appropriate and equitable for the purposes of ASX Listing Rule 6.1 and that the Exchangeable Shares and the Special Voting Shares are acceptable as an additional class of securities for the purposes of ASX Listing Rule 6.2.

Galaxy is also seeking confirmation from the ASX that the voting rights attached to each Special Voting Share along with each Exchangeable Share (and its associated exchange rights and obligations) will together upon and from their issue be treated as one fully paid ordinary share in Galaxy for the purposes of the ASX Listing Rules on the basis that the Exchangeable Shares are deemed to have been converted into Galaxy Shares at the time of their issue and the issue of Galaxy Shares, upon the exchange of the Exchangeable Shares in accordance with their terms, will not require any further Galaxy shareholder approval.

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In addition, Galaxy is seeking confirmation from the ASX that Chapter 11 of the ASX Listing Rules, which relates to significant transactions which result in a significant change to the nature or scale of an ASX listed entity's activities, does not apply to the Arrangement.

Other Regulatory Matters

Competition Act (Canada)

Part IX of the Competition Act requires that the parties to certain classes of transactions provide prescribed information to the Commissioner where the applicable thresholds set out in Sections 109 and 110 of the Competition Act are exceeded and no exemption applies ("Notifiable Transactions"). Lithium One has concluded that the threshold at Section 110 of the Competition Act will not be exceeded and, therefore, that the Arrangement is not a Notifiable Transaction.

Whether or not a merger is a Notifiable Transaction, the Commissioner can apply to the Competition Tribunal for a remedial order under Section 92 of the Competition Act at any time before the merger has been completed or, if completed, within one year after it was substantially completed, except in limited circumstances. On application by the Commissioner under Section 92 of the Competition Act, and except where conditions applicable to the efficiencies defence under Section 96 of the Competition Act are met, the Competition Tribunal may, where it finds that the merger prevents or lessens, or is likely to prevent or lessen, competition substantially, order that the merger not proceed or, if completed, order its dissolution or the disposition of some of the assets or shares involved in such merger; in addition to, or in lieu thereof, with the consent of the person against whom the order is directed and the Commissioner, the Competition Tribunal can order a person to take any other action. The Commissioner may also seek interim relief, prior to or after commencing a Section 92 proceeding, enjoining completion or implementation of a merger pending completion of her review and/or the section 92 proceeding.

Investment Canada Act

Subject to certain limited exceptions, the direct acquisition of control of a Canadian business by a non-Canadian is subject to a post-closing notification requirement under Part III of the Investment Canada Act or, if a prescribed monetary threshold is met, subject to a pre-closing review requirement under Part IV of the Investment Canada Act (Parts III and IV of the Investment Canada Act are referred to herein as the "General ICA Provisions"). Lithium One has concluded that the General ICA Provisions do not apply to the Arrangement on grounds that Lithium One does not constitute a "business" under the Investment Canada Act, as such term is defined by Industry Canada's Interpretation Note No. 4 – Business. While not a business, if Lithium One had constituted a business under the Investment Canada Act, the prescribed monetary threshold would not have been exceeded and the Arrangement, therefore, would have been subject to Part III of the Investment Canada Act. Investments subject to Part III of the Investment Canada Act are not subject to a review and approval procedure.

Under Part IV.1 of the Investment Canada Act, investments by non-Canadians to establish a new Canadian business, acquire control of a Canadian business, or acquire, in whole or in part, or to establish an entity carrying on all or any part of its operations in Canada, regardless of whether the General ICA Provisions apply and regardless of whether the acquired or established entity constitutes a business for the purposes of the Investment Canada Act, can be made subject to review and approval on grounds that the investment could be injurious to national security. If the transaction is reviewed under Part IV.1 of the Investment Canada Act, the Governor in Council may, by order, take any measure in respect of the investment that the Governor in Council considers advisable to protect national security, including: (a) directing the purchaser not to implement the investment; (b) authorizing the investment on condition that the non-Canadian (i) give any written undertakings to Her Majesty in right of Canada relating to the investment that the Governor in Council considers necessary in the circumstances, or (ii) implement the investment on the terms and conditions contained in the order; or (c) if the investment has been implemented, requiring the purchaser to divest itself of control of the Canadian business or of its investment in the entity.

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SHARE SALE FACILITY

Galaxy is making available to (i) Lithium One Shareholders whose address as shown in the register of shareholders of Lithium One at the Effective Time in Canada, Australia or the United States and (ii) holders of Exchangeable Shares, (each, "Eligible Participants") a share sale facility (the "Share Sale Facility"). Under the terms of the Share Sale Facility, Eligible Participants will be able to sell some or all of the Galaxy Shares that they are entitled to receive as a result of either:

(a) the implementation of the Arrangement, if the Eligible Participant duly makes a Facility Election in the letter of transmittal and election form to participate in the Share Sale Facility and returns the letter of transmittal and election form to the Depositary by no later than 4:30 p.m. (Toronto Time) on May 11, 2013; and

(b) the exchange of Exchangeable Shares for Galaxy Shares, if the Eligible Participant exchanges its Exchangeable Shares for Galaxy Shares and duly makes a Facility Election in the applicable Retraction Request to participate in the Share Sale Facility with respect to those Galaxy Shares and returns the Retraction Request to Canco or its agent by no later than 4:30 p.m. (Toronto Time) on May 11, 2013.

The Share Sale Facility provides Eligible Participants with the option to convert some or all of the Galaxy Shares which they are entitled to receive under the Arrangement or which they are entitled to receive upon exchange of Exchangeable Shares into cash without incurring brokerage costs. The provision of the Share Sale Facility by Galaxy is separate to the consideration to be paid by Canco to acquire Lithium One Shares under the terms of the Arrangement and does not form part of the consideration for those Lithium One Shares.

Participation in the Share Sale Facility is entirely voluntary and Eligible Participants are free to elect to receive and to hold the Galaxy Shares that they receive under the Arrangement or upon the exchange of Exchangeable Shares or to sell them in another manner (for example, by transferring their holdings to another dealer with whom they have a brokerage relationship). Before making a Facility Election to use the Share Sale Facility, Eligible Participants should ensure (through consultation with their financial advisor or otherwise) that the Share Sale Facility meets their own objectives, financial situation and needs.

Under the terms of the Share Sale Facility (a copy of which is attached as Appendix K) an execution-only broker ("Sale Agent") will be appointed to execute the sale of Galaxy Shares on behalf of Eligible Participants that make a Facility Election to participate in the Share Sale Facility ("Facility Participants"). Subject to certain conditions, a Facility Participant's Galaxy Shares will be sold under the Share Sale Facility within four weeks of the issue of those shares following a Facility Election. The Galaxy Shares will be sold by the Sale Agent in batches (made up of the aggregated Galaxy Shares to which Facility Participants are entitled) at the market price. Galaxy or its agent shall determine the aggregation of batches of any Galaxy Shares which Facility Participants who submit a letter of transmittal and election form or a Retraction Request, as applicable, are entitled to be issued and which are to be sold under the Share Sale Facility by the Sale Agent. Facility Participant's Galaxy Shares may be sold in one or more batches.

The Sale Agent will (in its sole discretion) place one or more orders to sell all Galaxy Shares comprising a batch on market in the ordinary course of business. The Galaxy Shares included in a batch may therefore be sold by multiple trades at different market prices.

The price at which a Facility Participant's Galaxy Shares are sold will be the market price at the time of the actual sale of those Galaxy Shares and may be more or less than the market price of Galaxy Shares at the time that a Facility Election by an Eligible Participant is made to participate in the Share Sale Facility.

The sale price that a Facility Participant will be paid for each of their Galaxy Shares that are sold under the Share Sale Facility will be the volume weighted average price achieved by the Sale Agent for the batch in which the Facility Participant's Galaxy Shares are sold on market. Accordingly, the sale price received by a Facility

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Participant for their Galaxy Shares may be more or less than the actual price that is received by the Sale Agent for those Galaxy Shares sold on behalf of that Facility Participant.

As part of the Share Sale Facility, proceeds from the sale of a Facility Participant's Galaxy Shares will be converted at market exchange rates from $AUD into $CAD, in the case of Facility Participants whose address as shown on the register of Lithium One Shareholders is in Canada at the Effective Time or in the case of Facility Participants who are participating as holders of Exchangeable Shares, or into $USD in the case of Facility Participants whose address as shown on the register of Lithium One Shareholders at the Effective Time is in the United States. In the case of Facility Participants whose address as shown on the register of Lithium One Shareholders is in Australia at the Effective Time, the proceeds from the sale of such Facility Participants Galaxy Shares will remain in and be paid in $AUD.

Facility Participants will receive a cheque denominated in $AUD, $CAD or $USD, as applicable, within 10 Business Days of completion of the sale of the batch of Galaxy Shares in which all or the last part of their Galaxy Shares are sold under the Share Sale Facility. If market conditions do not support the sale of all or part of a Facility Participant's Galaxy Shares, then those shares (that the Facility Participant would otherwise have been entitled to) will be returned to the Facility Participant.

Full terms of the Share Sale Facility will be set out in the letter of transmittal and election form and in the Retraction Request. The full terms should be read and understood in their entirety by Eligible Participants prior to making a decision to make a Facility Election to participate in the Share Sale Facility. Eligible Participants that wish to take advantage of the Share Sale Facility will need to follow the instructions in the letter of transmittal and election form or the Retraction Request, as applicable, to make a valid Facility Election.

ELIGIBILITY FOR INVESTMENT IN CANADA

Based on the current provisions of the ITA and the regulations thereunder, the Galaxy Shares, Galaxy Notes and Galaxy Warrants, if acquired on the date hereof and if the Galaxy Shares are listed on a designated stock exchange for purposes of the ITA (which currently includes the ASX) and, in the case of Galaxy Warrants, Galaxy is not a "connected person" (as defined in the ITA), will be qualified investments under the ITA for a trust governed by a registered retirement savings plan ("RRSP"), a registered retirement income fund ("RRIF"), a deferred profit sharing plan (except in the case of Galaxy Notes, a deferred profit sharing plan to which payments are made by Galaxy or an employer with which Galaxy does not deal at arm's length), a registered education savings plan, a registered disability savings plan and a tax-free savings account ("TFSA"), each as defined in the ITA ("Registered Plans"). **Registered Plans are not Eligible Holders and therefore cannot make a Consideration Election to acquire Exchangeable Shares and Ancillary Rights. Exchangeable Shares and Ancillary Rights are not qualified investments for Registered Plans.**

Notwithstanding that Galaxy Shares, Galaxy Notes and Galaxy Warrants may be qualified investments for a trust governed by a TFSA, RRSP or RRIF, the holder of a TFSA or the annuitant of an RRSP or a RRIF, as the case may be, will be subject to a penalty tax on such shares if such shares are a "prohibited investment" for the TFSA, RRSP or RRIF. Galaxy Shares, Galaxy Notes and Galaxy Warrants will generally be a "prohibited investment" if the holder of a TFSA or annuitant of an RRSP or a RRIF, as the case may be, does not deal at arm's length with Galaxy for purposes of the Tax Act or has a "significant interest" (as defined in the ITA) in Galaxy or a corporation, partnership or trust with which Galaxy does not deal at arm's length for purposes of the ITA.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS FOR LITHIUM ONE SHAREHOLDERS AND LITHIUM ONE NOTEHOLDERS

The following is a summary of certain Canadian federal income tax considerations for Lithium One Shareholders and Lithium One Noteholders under the ITA relating to the Arrangement that will generally apply to Lithium One Shareholders and Lithium One Noteholders who, for purposes of the ITA, and at all relevant times, hold their Lithium One Common Shares and Lithium One Notes, and will hold their Galaxy Shares, Exchangeable Shares, Galaxy Notes and Galaxy Warrants, as capital property and deal at arm's length with, and are not affiliated with, Lithium One, Galaxy, Callco or Canco.

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This summary does not apply to: (i) a Lithium One Shareholder with respect to whom Galaxy is or will be a "foreign affiliate" within the meaning of the ITA, (ii) a Lithium One Shareholder that is a "financial institution", for the purposes of the mark-to-market rules in the ITA, (iii) a Lithium One Shareholder an interest in which is a "tax shelter investment" as defined in the ITA, (iv) a Lithium One Shareholder that is a "specified financial institution" as defined in the ITA (v) a Lithium One Shareholder who has made a "functional currency" election under Section 261 of the ITA, (vi) a Lithium One Shareholder who received Lithium One Common Shares upon exercise of a stock option prior to the Effective Time, or (vii) a Lithium One Shareholder who, alone or together with persons with whom the holder does not deal at arm's length for purposes of the ITA or any partnership or trust of which such holder or such person is a member or beneficiary, will hold more than 10% of the issued and outstanding Exchangeable Shares at any time following the Arrangement. Any such Lithium One Shareholder should consult its own tax advisor with respect to the Arrangement.

Lithium One Common Shares, Lithium One Notes, Galaxy Shares, Exchangeable Shares, Galaxy Notes and Galaxy Warrants will generally be considered to be capital property unless such securities are held in the course of carrying on a business of trading or dealing in securities, or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Lithium One Shareholders or Lithium One Noteholders who are residents of Canada for purposes of the ITA and whose Lithium One Common Shares or Lithium One Notes might not otherwise qualify as capital property, may be entitled to make an irrevocable election in accordance with subsection 39(4) of the ITA to have their Lithium One Common Shares or Lithium One Notes, and every "Canadian security" (as defined in the ITA) owned by such Lithium One Shareholder or Lithium One Noteholders in the taxation year of the election and in all subsequent taxation years deemed to be capital property. Where a Lithium One Shareholder makes an election with Canco under Section 85 of the ITA in respect of his Lithium One Common Shares as described below, the Exchangeable Shares received under the Arrangement in exchange for such Lithium One Common Shares, will not be Canadian securities to such holder for this purpose and therefore will not be deemed to be capital property under subsection 39(4) of the ITA. Galaxy Shares, Galaxy Notes, and Galaxy Warrants will also not be Canadian securities for this purpose and will not be deemed to be capital property under subsection 39(4) of the ITA. Lithium One Shareholders or Lithium One Noteholders who do not hold their Lithium One Common Shares or Lithium One Notes as capital property or who will not hold their Galaxy Shares, Exchangeable Shares, Galaxy Notes and/or Galaxy Warrants as capital property should consult their own tax advisors regarding their particular circumstances.

This summary is based on the facts set out in the Circular, the current provisions of the ITA and the regulations thereunder and the published administrative policies and assessing practices of the CRA publicly available prior to the date of this document. This summary takes into account all proposed amendments to the ITA and the regulations thereunder that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof ("Proposed Amendments") and assumes that such Proposed Amendments will be enacted substantially as proposed. However, no assurance can be given that such Proposed Amendments will be enacted in the form proposed, or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to the Arrangement and/or the holding of Galaxy Shares, Exchangeable Shares, Galaxy Notes or Galaxy Warrants. Except for the Proposed Amendments, this summary does not take into account or anticipate any other changes in law or any changes in the CRA's administrative policies and assessing practices, whether by judicial, governmental or legislative action or decision, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations, which may differ from the Canadian federal income tax considerations described herein.

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal, business or tax advice to any particular Lithium One Shareholder or Lithium One Noteholder. Lithium One Shareholders and Lithium One Noteholders should consult their own tax advisors as to the tax consequences to them of the Arrangement and the holding of Galaxy Shares, Exchangeable Shares, Galaxy Notes and/or Galaxy Warrants.

For purposes of the ITA, all amounts relating to the acquisition, holding or disposition of securities (including dividends, adjusted cost base and proceeds of disposition) must be expressed in Canadian dollars. Amounts

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denominated in Australian dollars must be converted into Canadian dollars generally based on the Bank of Canada noon spot exchange rate on the date such amounts arise.

Resident in Canada

The following section of the summary only applies to a Lithium One Shareholder or Lithium One Noteholder who, for purposes of the ITA, is or is deemed to be a resident of Canada at all relevant times.

Receipt of Ancillary Rights

A Lithium One Shareholder who makes a Consideration Election to receive Exchangeable Shares in consideration for Lithium One Common Shares under the Arrangement will also receive the Ancillary Rights. Such Lithium One Shareholder will be required to account for these Ancillary Rights in determining the proceeds of disposition of such Lithium One Common Shares and, where the Lithium One Shareholder makes a Joint Tax Election, the cost under the ITA of Exchangeable Shares received in consideration therefor. Lithium One is of the view that the Ancillary Rights have nominal fair market value. Such view is not binding on the CRA and it is possible that the CRA could take a contrary view.

Grant of Call Rights

A Lithium One Shareholder who makes a Consideration Election to receive Exchangeable Shares, and the Ancillary Rights, under the Arrangement will grant the Call Rights to Callco and Galaxy. Lithium One is of the view that the Call Rights have only a nominal fair market value and accordingly no amount should be considered received by a Lithium One Shareholder for granting the Call Rights. Provided that this view with respect to the value of such Call Rights is correct, the granting of the Call Rights should not result in any material adverse income tax consequences to an a Lithium One Shareholder who acquires Exchangeable Shares. This summary assumes that the Call Rights have nominal value.

This view of value is not binding on the CRA and it is possible that the CRA could take a contrary view. Should the CRA challenge this view and ultimately succeed in establishing that the Call Rights have a fair market value in excess of a nominal amount, a Lithium One Shareholder who acquires Exchangeable Shares under the Arrangement will realize a capital gain in an amount equal to the fair market value of the Call Rights. For a description of the tax treatment of capital gains and losses, see "Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders and Lithium One Noteholders — Resident in Canada — Taxation of Capital Gains or Capital Losses" below.

Exchange of Lithium One Common Shares for Galaxy Shares

A Lithium One Shareholder who makes a Consideration Election to receive Galaxy Shares in exchange for their Lithium One Common Shares under the Arrangement will be considered to have disposed of such Lithium One Common Shares for proceeds of disposition equal to the fair market value at the Effective Time of the Galaxy Shares acquired by such Lithium One Shareholder on the exchange. As a result, the Lithium One Shareholder will generally realize a capital gain (or a capital loss) to the extent that such proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Lithium One Shareholder of such Lithium One Common Shares.

For a description of the tax treatment of capital gains and losses, see "Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders and Lithium One Noteholders — Resident in Canada — Taxation of Capital Gains or Capital Losses" below.

Exchange of Lithium One Common Shares for Exchangeable Shares and Ancillary Rights — Non-Rollover Transaction

A Lithium One Shareholder who makes a Consideration Election to receive Exchangeable Shares and Ancillary Rights in exchange for their Lithium One Common Shares that are Exchangeable Elected Shares will, unless such

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Lithium One Shareholder makes a valid joint election under subsection 85(1) or 85(2) of the ITA as discussed below, be considered to have disposed of such Exchangeable Elected Shares for proceeds of disposition equal to the sum of (i) the fair market value at the Effective Time of any Exchangeable Shares received by the Lithium One Shareholder on the exchange, and (ii) the fair market value at the Effective Time of the Ancillary Rights received by the Lithium One Shareholder on the exchange.

As a result, the Lithium One Shareholder will generally realize a capital gain (or a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Lithium One Shareholder of the Exchangeable Elected Shares.

For a description of the tax treatment of capital gains and losses, see "Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders and Lithium One Noteholders — Resident in Canada — Taxation of Capital Gains or Capital Losses" below.

In such circumstances, the cost to a holder of Exchangeable Shares and Ancillary Rights acquired on the exchange will be equal to the fair market value of such shares and rights at the Effective Time.

Exchange of Lithium One Common Shares for Consideration Including Exchangeable Shares and Ancillary Rights — Rollover Transaction Joint Tax Election

A Lithium One Shareholder who is an Eligible Holder, who makes a Consideration Election to receive Exchangeable Shares and Ancillary Rights in exchange for their Lithium One Common Shares that are Exchangeable Elected Shares, and who makes a valid joint election with Canco pursuant to subsection 85(1) of the ITA (or, in the case of an Eligible Holder that is a Canadian partnership, pursuant to subsection 85(2) of the ITA) in respect of such Exchangeable Elected Shares (a "Joint Tax Election") may thereby obtain a full or partial deferral of a capital gain otherwise arising on the exchange of such Lithium One Common Shares as described above under "Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders and Lithium One Noteholders — Resident in Canada – Exchange of Lithium One Common Shares for Exchangeable Shares and Ancillary Rights — Non-Rollover Transaction", depending on the Elected Amount (as defined below) and the adjusted cost base to the holder of the Exchangeable Elected Shares at the time of the exchange.

Canco will only make a Joint Tax Election with an Eligible Holder. Eligible Holders who wish to make a Joint Tax Election with Canco should give their immediate attention to this matter following the Effective Time. For further information respecting the Joint Tax Election, see Interpretation Bulletin IT-291R3 "Transfer of Property to a Corporation under Subsection 85(1)" (January 12, 2004) and Information Circular IC 76-19R3 "Transfer of Property to a Corporation under Section 85" (June 17, 1996) issued by the CRA.

The comments made herein with respect to such elections are provided for general information only. The law in this area is complex and contains numerous technical requirements. Eligible Holders wishing to make a Joint Tax Election should consult their own tax advisors.

Elected Amount

An Eligible Holder may elect an amount which, subject to certain limitations contained in the ITA, will be treated as the proceeds of disposition of such Exchangeable Elected Shares (the "Elected Amount"). The limitations imposed by the ITA in respect of the Elected Amount are that the Elected Amount may not:

(a) be less than the fair market value at the Effective Time of the Ancillary Rights acquired on the exchange;

(b) be less than the lesser of (i) the adjusted cost base to the holder of the holder's Exchangeable Elected Shares at the Effective Time, and (ii) the fair market value of the Exchangeable Elected Shares at the Effective Time; and

(c) exceed the fair market value of the Exchangeable Elected Shares at the Effective Time.

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Tax Treatment to Lithium One Shareholders

Where an Eligible Holder and Canco make a valid Joint Tax Election in respect of Exchangeable Elected Shares, the tax treatment to such holder will generally be as follows:

(a) the Eligible Holder will be deemed to have disposed of the Exchangeable Elected Shares for proceeds of disposition equal to the Elected Amount;

(b) the Eligible Holder will not realize a capital gain (or a capital loss), provided that the Elected Amount is equal to the sum of (i) the aggregate adjusted cost base to the Eligible Holder of its Exchangeable Elected Shares immediately before the Effective Time and (ii) any reasonable costs of disposition;

(c) the Eligible Holder will realize a capital gain (or a capital loss) to the extent that the Elected Amount exceeds (or is less than) the sum of (i) the aggregate adjusted cost base to the Eligible Holder of its Exchangeable Elected Shares immediately before the Effective Time and (ii) any reasonable costs of disposition. For a description of the tax treatment of capital gains and losses, see "Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders and Lithium One Noteholders — Resident in Canada — Taxation of Capital Gains or Capital Losses" below;

(d) the cost to the Eligible Holder of the Ancillary Rights received on the exchange will be equal to the fair market value thereof at the Effective Time; and

(e) the cost to the Eligible Holder of the Exchangeable Shares received on the exchange will be equal to the amount by which the Elected Amount exceeds the fair market value at the Effective Time of the Ancillary Rights received on the exchange.

Procedure for Making an Election

To make a Joint Tax Election, the Eligible Holder must provide two signed copies of the applicable tax election forms to Canco within 90 days following the Effective Date, duly completed and including (i) the required information concerning the Eligible Holder, (ii) the details of the number of Exchangeable Elected Shares transferred in respect of which the Eligible Holder is making a Joint Tax Election, and (iii) the applicable Elected Amounts for such Exchangeable Elected Shares. An Eligible Holder interested in making the Joint Tax Election in respect of the Exchangeable Shares it receives in the Arrangement should so indicate on the letter of transmittal and election form. A tax election package, consisting of the relevant federal tax election forms and a letter of instructions, may be sent by mail to such holder. A tax election package may also be obtained by mail from the Depositary. The relevant federal tax election form is form T2057 (or, in the event that the Lithium One Common Shares are held by an Eligible Holder that is a "Canadian partnership" within the meaning of the ITA, form T2058).

Joint Ownership

Where the Lithium One Common Shares are held in joint ownership and two or more of the co-owners wish to make a Joint Tax Election, a co-owner designated for such purpose should file a copy of the federal election form T2057 (and any other relevant provincial or territorial forms) for each co-owner. Such election forms must be accompanied by a list of the names, addresses and social insurance numbers or tax account numbers of each of the co-owners, along with documentation authorizing the designated co-owner to complete, sign and file the forms on behalf of each co-owner.

Partnerships

Where the Lithium One Common Shares are held by an Eligible Holder that is a "Canadian partnership" within the meaning of the ITA and the partnership wishes to make a Joint Tax Election, a partner designated by the partnership must file a copy of the federal election form T2058 (and any other relevant provincial or territorial forms) on behalf

of all members of the partnership. Such election forms must be accompanied by a list of the names, addresses, social insurance numbers or tax account numbers of each of the partners, along with documentation authorizing the designated partner to complete, sign and file the forms on behalf of each partner.

Additional Provincial or Territorial Election Forms

Certain provinces or territories may require that a separate joint tax election be filed for provincial or territorial income tax purposes. Canco will also make a joint tax election with an Eligible Holder under the provisions of any relevant provincial or territorial income tax law having similar effect to section 85 of the ITA, subject to the same limitations as described herein. Eligible Holders should consult their own tax advisors to determine whether separate election forms must be filed with any provincial or territorial taxing authority and to determine the procedure for filing any such separate election form. It will be the sole responsibility of each Eligible Holder who wishes to make such an election to obtain the appropriate provincial or territorial election forms and to duly complete and submit such forms to Canco for its execution at the same time as the federal election forms.

Execution by Canco of Election Form

Subject to the election forms being correct and complete and complying with the provisions of the applicable income tax law and the Arrangement, Canco will sign the tax election forms received from an Eligible Holder within 90 days following the Effective Date and return them to the Eligible Holder within 90 days of receipt thereof.

Canco will not be responsible for the proper or accurate completion of the tax election forms or to check or verify the content of any election form and, except for Canco's obligation to return duly completed tax election forms (which are received by it within 90 days after the Effective Date) within 90 days after the receipt thereof, Canco will not be responsible for any taxes, interest or penalties or any other costs or damages resulting from the failure by an Eligible Holder to properly and accurately complete or file the necessary election forms in the form and manner and within the time prescribed by the ITA (or any applicable provincial legislation). In its sole discretion, Canco may choose to sign and return tax election forms received more than 90 days following the Effective Date, but Canco will have no obligation to do so.

Filing of Election Forms

For the CRA to accept a tax election form without a late filing penalty being paid by an Eligible Holder, the election form, duly completed and executed by both the Eligible Holder and Canco must be received by the CRA on or before the earliest due date for the filing of either Canco's or the Eligible Holder's income tax return for the taxation year in which the exchange takes place.

In the absence of a transaction subsequent to the Effective Date but prior to December 31 that results in a taxation year end for Canco, the taxation year of Canco is expected to end on December 31. In such circumstances, the Joint Tax Election generally must, in the case of an Eligible Holder who is an individual (other than a trust), be received by the CRA by April 30, 2013 (being generally the deadline when such individuals are required to file tax returns for the 2012 taxation year).

Information concerning the filing deadline will be included in the tax election package that will be available on Lithium One's website at www.lithium1.com and may be mailed to Eligible Holders.

Eligible Holders are strongly advised to consult their own tax advisors as soon as possible respecting the deadlines applicable to their own particular circumstances, including any similar deadlines required under any provincial or territorial tax legislation for provincial or territorial tax elections. However, regardless of such deadlines, properly completed tax election forms must be received by Canco at the address set out in the tax election package (which may be obtained by mail from Lithium One or the Depositary and will also be available via the internet on Lithium One's website at www.lithium1.com) within 90 days following the Effective Date of the Arrangement. Any Eligible Holder who does not ensure that Canco has received the properly completed tax election forms within 90 days following the Effective Date of the Arrangement may not be able to benefit from the rollover provisions of the ITA and any applicable provincial or territorial tax legislation.

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Ancillary Rights

The Joint Tax Elections will be executed by Canco on the basis that the fair market value of the Ancillary Rights is a nominal amount per Exchangeable Share issued on the exchange. This amount will be provided to Lithium One Shareholders in the letter of instructions included in the tax election package.

Redemption, Exchange and Disposition of Exchangeable Shares

A holder will be considered to have disposed of Exchangeable Shares:

(i) on a redemption (including pursuant to a Retraction Request) of such Exchangeable Shares by Canco and

(ii) on an acquisition of such Exchangeable Shares by Galaxy or Callco.

However, as discussed below, the Canadian federal income tax consequences of the disposition for the holder will be different depending on whether the event giving rise to the disposition is a redemption or retraction by Canco or an acquisition by Galaxy or Callco.

A holder who exercises the right to require the redemption of an Exchangeable Share by giving a Retraction Request cannot control whether the Exchangeable Share will be acquired by Callco under the Retraction Call Right or redeemed by Canco.

Redemption or Retraction of Exchangeable Shares

On a redemption (including a retraction) of an Exchangeable Share by Canco, the holder of that Exchangeable Share will be deemed to have received a dividend equal to the amount, if any, by which the "redemption proceeds", being the fair market value at the time of redemption of any consideration received in respect of the redemption, exceed the paid-up capital (for purposes of the ITA) of the Exchangeable Share at the time of redemption. See "Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders and Lithium One Noteholders — Resident in Canada — Dividends on Exchangeable Shares" below. On the redemption, the holder of an Exchangeable Share will also be considered to have disposed of the Exchangeable Share for proceeds of disposition equal to the "redemption proceeds" less the amount of such deemed dividend. The holder will also generally realize a capital gain (or a capital loss) equal to the amount by which such proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the holder of the Exchangeable Shares. For a description of the tax treatment of capital gains and losses, see "Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders and Lithium One Noteholders — Resident in Canada — Taxation of Capital Gains or Capital Losses" below.

Dividends on Exchangeable Shares

In the case of a Lithium One Shareholder who is an individual, dividends received or deemed to be received on the Exchangeable Shares will be included in computing the Lithium One Shareholder's income and will be subject to the gross-up and dividend tax credit rules that apply to taxable dividends received from taxable Canadian corporations. Provided that appropriate designations are made by Canco at the time a dividend or deemed dividend is paid, such dividend will be treated as an "eligible dividend" for the purposes of the ITA and a holder who is an individual resident in Canada will be entitled to an enhanced dividend tax credit in respect of such dividend. There are limitations on the ability of a corporation to designate dividends and deemed dividends as eligible dividends.

In the case of a Lithium One Shareholder that is a corporation, dividends received or deemed to be received on the Exchangeable Shares will be required to be included in computing the corporation's income for the taxation year in which such dividends are received and provided Galaxy is not a "specified financial institution" as defined in the ITA at the time the dividend is received, such dividends will generally be deductible in computing the corporation's taxable income. In the case of a holder of Exchangeable Shares that is a corporation, in some circumstances the amount of any deemed dividend arising on the redemption of Exchangeable Shares may be treated as proceeds of

disposition and not as a dividend in accordance with specific rules in the ITA. **Corporate shareholders should consult their own tax advisors for advice with respect to the potential application of these provisions.**

A Lithium One Shareholder that is a "private corporation" (as defined in the ITA) or any other corporation resident in Canada and controlled or deemed to be controlled by or for the benefit of an individual or a related group of individuals may be liable under Part IV of the ITA to pay a refundable tax of 33 1⁄3% on dividends received or deemed to be received on the Exchangeable Shares to the extent that such dividends are deductible in computing the Lithium One Shareholder's taxable income.

The Exchangeable Shares will be taxable preferred shares and short-term preferred shares for the purpose of the ITA. However, a holder of Exchangeable Shares that is a corporation and receives or is deemed to receive dividends on such shares will not be subject to the 10% tax under Part IV.1 of the ITA.

Exchange of Exchangeable Shares with Galaxy or Callco

On the exchange of an Exchangeable Share by the holder with Galaxy or Callco for Galaxy Shares and the Dividend Amount, if any, the holder will generally realize a capital gain (or a capital loss) to the extent the proceeds of disposition of the Exchangeable Share, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the holder of the Exchangeable Share. For these purposes, the proceeds of disposition will be the fair market value of the Galaxy Shares received upon exchange plus the Dividend Amount, if any. For a description of the tax treatment of capital gains and losses, see "Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders and Lithium One Noteholders — Resident in Canada — Taxation of Capital Gains or Capital Losses" below. The acquisition by Galaxy or Callco of an Exchangeable Share from the holder thereof will not result in a deemed dividend to the holder.

On October 18, 2000, the Minister of Finance (Canada) announced that the Department of Finance would consider future amendments to the ITA to allow holders of shares of a Canadian corporation to exchange such shares for shares of a non-Canadian corporation on a tax-deferred basis. No specifics have been announced regarding these contemplated amendments and in particular with respect to the various requirements that would have to be satisfied in order to permit a holder of Exchangeable Shares to exchange such shares on a tax-deferred basis or whether these requirements could be satisfied in the circumstances. In the event of a Change of Law, Galaxy may exercise its Change of Law Call Right to purchase (or to cause Callco to purchase) from all but not less than all of the holders of Exchangeable Shares (other than any holder of Exchangeable Shares which is an affiliate of Galaxy) all but not less than all of the Exchangeable Shares held by each such holder upon payment by Galaxy or Callco, as the case may be, of an amount per share which will be satisfied in full by delivering one Galaxy Share plus the Dividend Amount, if any.

Disposition of Exchangeable Shares other than on Redemption, Retraction or Exchange

A disposition or deemed disposition of Exchangeable Shares by a holder, other than on the redemption, retraction or exchange of the Exchange Shares with Galaxy or Callco, will generally result in a capital gain (or a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the holder of those Exchangeable Shares immediately before the disposition. For a description of the tax treatment of capital gains and losses, see "Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders and Lithium One Noteholders — Resident in Canada — Taxation of Capital Gains or Capital Losses" below.

Dividends on Galaxy Shares

Dividends on Galaxy Shares will be included in the recipient's income for the purposes of the ITA. Such dividends received by a Galaxy Shareholder who is an individual will not be subject to the gross-up and dividend tax credit rules in the ITA. A Galaxy Shareholder that is a corporation must include such dividends in computing its income and will not be entitled to deduct the amount of the dividends in computing its taxable income.

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A Galaxy Shareholder that, throughout the relevant taxation year, is a "Canadian-controlled private corporation" (as defined in the ITA) may be liable to pay a refundable tax of 6 2⁄3% on its "aggregate investment income" (as defined in the ITA), including dividends received on Galaxy Shares that are not deductible in computing taxable income.

Any Australian non-resident withholding tax on these dividends generally will be eligible for foreign tax credit or deduction treatment to the extent and under the circumstances provided in the ITA.

Acquisition and Disposition of Galaxy Shares

The cost of Galaxy Shares received in exchange for a Lithium One Common Share pursuant to the Arrangement or on the retraction, redemption or exchange of an Exchangeable Share will be equal to the fair market value of such Galaxy Shares at the time of such event and will generally be averaged with the adjusted cost base of any other Galaxy Shares held at that time by the holder as capital property for the purpose of determining the holder's adjusted cost base of such Galaxy Shares.

A disposition or deemed disposition of Galaxy Shares by a holder will generally result in a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the holder of the Galaxy Shares immediately before the disposition. For a description of the tax treatment of capital gains and losses, see "Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders and Lithium One Noteholders — Resident in Canada — Taxation of Capital Gains or Capital Losses" below.

Exchange of Lithium One Notes for Galaxy Notes

A Lithium One Noteholder who exchanges his Lithium One Notes under the Arrangement will be considered to have disposed of such Lithium One Notes for proceeds of disposition equal to the fair market value at the Effective Time of the Galaxy Notes acquired on such exchange. As a result, the Lithium One Noteholder will generally realize a capital gain (or a capital loss) to the extent that such proceeds of disposition, net any reasonable cost of disposition, exceed (or less) the adjusted cost base to such Lithium One Noteholder of such Lithium One Notes.

For a description of the tax treatment of capital gains and losses, see "Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders and Lithium One Noteholders – Resident in Canada – Taxation of Capital Gains and Capital Losses" below.

Any amount received under the Arrangement on account of interest will be included in the Lithium One Noteholder's income for its taxation year to the extent such amount has not otherwise been included in such Lithium One Noteholder's income for the year or a preceding year. A Lithium One Noteholder that, throughout the relevant taxation year, is a "Canadian-controlled private corporation" (as defined in the ITA) may be liable to pay a refundable tax of 6 2/3% on its "aggregate investment income" (as defined in the ITA), including interest income.

Taxation of Interest on the Galaxy Notes

A holder of Galaxy Notes that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will generally be required to include in computing its income for a taxation year the amount of interest that accrues or is deemed to accrue on the Galaxy Notes to the end of the taxation year or that becomes receivable or is received by it before the end of that taxation year, to the extent such amounts have not otherwise been included in such holder's income for that taxation year or a preceding taxation year.

Any other holder of Galaxy Notes, including an individual or a trust (other than trusts described in the preceding paragraph), will be required to include in income for a taxation year any interest on the Galaxy Notes received or receivable by such holder in that taxation year (depending upon the method regularly followed by the holder in computing income), and will be required to include in income any interest that accrued to such holder to the end of an "anniversary date" (as defined in the ITA), in each case except to the extent that such amount was otherwise included in the holder's income for that taxation year or a preceding taxation year.

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Any amount paid by Galaxy as a penalty or bonus to a holder of Galaxy Notes because of the redemption or a purchase for cancellation of a Galaxy Note before maturity will be deemed to be received by such holder as interest on the Galaxy Note and will be required to be included in computing the holder's income, as described above, at the time of the payment, to the extent that such amount can reasonably be considered to relate to, and does not exceed the value at the time of the payment of, an amount that, but for the redemption or purchase for cancellation, would have been paid or payable by Galaxy as interest on the Galaxy Note for a taxation year of Galaxy ending after the time of payment.

Australian non-resident withholding tax, if any, payable by a holder of Galaxy Notes in respect of interest received on the Galaxy Notes may be eligible for a foreign tax credit or deduction to the extent and under the circumstances prescribed in the ITA.

A holder of Galaxy Notes that, throughout the relevant taxation year, is a "Canadian-controlled private corporation" (as defined in the ITA) may be liable to pay a refundable tax of 6⅔% of its "aggregate investment income" (as defined in the ITA) including interest income.

Acquisition and Disposition of Galaxy Notes

The cost of Galaxy Notes received by a Lithium One Noteholder in exchange for the Lithium One Notes pursuant to the Arrangement will be equal to the fair market value of the such Galaxy Notes at the time of the exchange and will generally be averaged with the adjusted cost base of any other Galaxy Notes held at that time by the holder as capital property for the purposes of determining the holder's adjusted cost base of such Galaxy Notes.

A disposition or a deemed disposition of a Galaxy Note, including a redemption, purchase for cancellation, conversion or payment on maturity, will give rise to a capital gain (or a capital loss) to the extent that the fair market value at the time of disposition of the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Galaxy Notes to the holder immediately before the disposition or deemed disposition. For this purpose, a holder's proceeds of disposition in respect of a Galaxy Note will exclude any amount of interest that accrued (or is deemed to have accrued) to the holder to the time of disposition, but that is not payable until after the time of disposition, or other amount that is required to be so included in income as interest, all as described above under "Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders and Lithium One Noteholders – Resident in Canada - Taxation of Interest on the Galaxy Notes." Any such capital gain (or capital loss) will be subject to the treatment described under the heading "Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders and Lithium One Noteholders – Resident in Canada - Taxation of Capital Gains or Capital Losses" below.

The cost of Galaxy Shares and Galaxy Warrants received on conversion of Galaxy Notes will be equal to the fair market value of such Galaxy Shares and Galaxy Warrants at the time of the conversion and will generally be averaged with the adjusted cost base of any other Galaxy Shares or Galaxy Warrants held at that time by the holder as capital property for purposes of determining the holder's adjusted cost base of such Galaxy Shares or Galaxy Warrants.

On a disposition or deemed disposition of a Galaxy Note, including a payment on maturity, redemption, conversion or purchase for cancellation of a Galaxy Note, a holder generally will be required to include in computing income the amount of interest accrued on the Galaxy Note from the date of the last interest payment to the date of disposition to the extent that such amount has not otherwise been included in computing the holder's income for the taxation year or a previous taxation year, and such amount will be excluded in computing the holder's proceeds of disposition of the Galaxy Note as described in the preceding paragraph.

Disposition of Galaxy Warrants

A disposition or deemed disposition of a Galaxy Warrant including on expiration but excluding on exercise will give rise to a capital gain (or a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Galaxy Warrant to the holder immediately before the disposition or deemed disposition.

A holder of a Galaxy Warrant will be deemed not to have disposed of the Galaxy Warrant on exercise of the Galaxy Warrant and will not realize a capital gain or a capital loss on the exercise. The cost of Galaxy Shares acquired on the exercise will be equal to the sum of the exercise price paid and the adjusted cost base of the Galaxy Warrant.

Taxation of Capital Gains or Capital Losses

Generally, one-half of any capital gain (a "taxable capital gain") realized by a holder in a taxation year must be included in the holder's income for the year, and one-half of any capital loss (an "allowable capital loss") realized by a holder in a taxation year must be deducted from taxable capital gains realized by the holder in that year (subject to and in accordance with rules contained in the ITA). Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the ITA.

A holder that, throughout the relevant taxation year, is a "Canadian-controlled private corporation" (as defined in the ITA) may be liable to pay a refundable tax of 6⅔% on its "aggregate investment income" (as defined in the ITA), including any taxable capital gains.

If the holder of a Lithium One Common Share or an Exchangeable Share is a corporation, the amount of any capital loss realized on a disposition or deemed disposition of such share may be reduced by the amount of dividends received or deemed to have been received by it on such share (and in certain circumstances a share exchanged for such share) to the extent and under circumstances described in the ITA. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns such shares or where a trust or partnership of which a corporation is a beneficiary or a member is a member of a partnership or a beneficiary of a trust that owns any such shares. Holders to whom these rules may be relevant should consult their own tax advisors.

Foreign Property Information Reporting

In general, a "specified Canadian entity" for a taxation year or fiscal period whose total cost amount of "specified foreign property" (both as defined in the ITA) at any time in the year or fiscal period exceeds $100,000, is required to file an information return for the year or period disclosing prescribed information. With some exceptions, a Lithium One Shareholder resident in Canada in the year will be a specified Canadian entity. On March 4, 2010, the Minister of Finance (Canada) announced proposals to expand existing reporting requirements with respect to specified foreign property to require more detailed information. As of the date hereof, no detailed legislative proposals with respect to such amended reporting requirements have been made public.

Exchangeable Shares, Ancillary Rights, Galaxy Shares, Galaxy Notes and Galaxy Warrants will constitute specified foreign property to a holder. Accordingly, holders of Exchangeable Shares, Ancillary Rights, Galaxy Shares, Galaxy Notes and Galaxy Warrants should consult their own tax advisors regarding compliance with these rules.

Offshore Investment Fund Property

The ITA contains rules which may require a taxpayer to include in income in each taxation year an amount in respect of the holding of an "offshore investment fund property". These rules could apply to a holder of a Galaxy Share, Exchangeable Share, Galaxy Note or Galaxy Warrant if, but only if:

(1) the Galaxy Share, Exchangeable Share, Galaxy Note or Galaxy Warrant may reasonably be considered to derive its value, directly or indirectly, primarily from portfolio investments in: (i) shares of one or more corporations, (ii) indebtedness or annuities, (iii) interests in one or more corporations, trusts, partnerships, organizations, funds or entities, (iv) commodities, (v) real estate, (vi) Canadian or foreign resource properties, (vii) currency of a country other than Canada, (viii) rights or options to acquire or dispose of any of the foregoing, or (ix) any combination of the foregoing (collectively, "Investment Assets"); and

(2) it may reasonably be concluded, having regard to all the circumstances, that one of the main reasons for the holder acquiring, holding or having an interest in the Galaxy Share, Exchangeable Share, Galaxy Note

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or Galaxy Warrant was to derive a benefit from portfolio investments in Investment Assets in such a manner that the taxes, if any, on the income, profits and gains from such assets for any particular year are significantly less than the tax that would have been applicable under Part I of the ITA if the income, profits and gains been earned directly by such holder.

If applicable, these rules would generally require a holder of a Galaxy Share, Exchangeable Share, Galaxy Note or Galaxy Warrant to include in income, for each taxation year in which such holder holds the Galaxy Share, Exchangeable Share, Galaxy Note or Galaxy Warrant, an imputed amount determined by applying a prescribed rate of interest to the "designated cost" to the holder of the Galaxy Share, Exchangeable Share, Galaxy Note or Galaxy Warrant at the end of each month in the year, less the amount of certain income of the holder from the Galaxy Share, Exchangeable Share, Galaxy Note or Galaxy Warrant in the year. Any amount required to be included in computing a holder's income in respect of an Galaxy Share, Exchangeable Share, Galaxy Note or Galaxy Warrant under these rules would be added to the adjusted cost base to the holder of such share or note.

Holders of Galaxy Shares, Exchangeable Shares, Galaxy Notes or Galaxy Warrants are urged to consult their own tax advisors regarding the application and consequences of these rules.

Dissenting Lithium One Shareholders

A Dissenting Lithium One Shareholder will be deemed to have transferred its Lithium One Common Shares to Canco as of the Effective Time and will receive a cash payment from Canco in respect of the fair value of the Dissenting Lithium One Shareholder's Lithium One Common Shares. Such a Dissenting Lithium One Shareholder will be considered to have disposed of the Lithium One Common Shares for proceeds of disposition equal to the amount received by the Dissenting Lithium One Shareholder (less any interest awarded by a court). As a result, such Dissenting Lithium One Shareholder will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition received exceed (or is less than) the aggregate of (i) the adjusted cost base to the Dissenting Lithium One Shareholder of the Lithium One Common Shares; and (ii) any reasonable costs of disposition.

Interest awarded to a Dissenting Lithium One Shareholder by a court will be included in the Dissenting Shareholder's income for the purposes of the ITA. In addition, a Dissenting Lithium One Shareholder that, throughout the relevant taxation year, is a "Canadian-controlled private corporation" (as defined in the ITA) may be liable to pay a refundable tax of 6⅔% on its "aggregate investment income" (as defined in the ITA), including taxable capital gains and interest income.

A Lithium One Shareholder who exercises his or her dissent rights but who is not ultimately determined to be entitled to be paid fair value for the Lithium One Common Shares held by such Lithium One Shareholder will be deemed to have participated in the Arrangement and will receive Galaxy Shares. Such a Lithium One Shareholder will be considered to have disposed of the Lithium One Common Shares for proceeds of disposition equal to the fair market value of the Galaxy Shares so received. As a result, such Lithium One Shareholder will realize a capital gain (or a capital loss) equal to the amount by which such proceeds of disposition received exceed (or is less than) the aggregate of (i) the adjusted cost base to the Dissenting Shareholder of the Lithium One Common Shares; and (ii) any reasonable costs of disposition.

Not Resident in Canada

The following section of the summary only applies to a holder of Lithium One Common Shares and Lithium One Notes who, (i) for the purposes of the ITA and any applicable income tax treaty and at all relevant times, is not, and is not deemed to be, a resident of Canada (ii) does not, and is not deemed to, use or hold Lithium One Common Shares, Lithium One Notes, and Galaxy Shares, or Galaxy Notes received pursuant to the Arrangement in or in the course of, carrying on a business in Canada, (iii) is not an insurer who carries on an insurance business or is deemed to carry on an insurance business in Canada and elsewhere, and (iv) does not hold Lithium One Common Shares or Lithium One Notes as "taxable Canadian property" for purposes of the ITA (in this section, a "Non-Resident Holder").

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Generally, Lithium One Common Shares and Lithium One Notes will not be "taxable Canadian property" of a Non-Resident Holder at a particular time provided that the Lithium One Common Shares are listed on a designated stock exchange (which includes the TSX-V at that time, unless: (i) at any time during the sixty-month period immediately preceding the disposition of the Lithium One Common Shares or Lithium One Notes by such Non-Resident Holder, (A) the Non-Resident Holder, persons not dealing at arm's length with such Non-Resident Shareholder, or the Non-Resident Holder together with all such persons, owned 25% or more of the issued shares of any class or series of the capital stock of Lithium One and (B) more than 50% of the fair market value of the Lithium One Common Shares was delivered directly or indirectly from one or any combination of real or immovable property situated in Canada, "Canadian resource properties" as defined in the ITA, "timber resource properties" as defined in the ITA, and options in respect of, interests in, or civil law rights in, an such properties; or (ii) the Non-Resident Holder's Lithium One Common Shares were acquired in certain types of tax-deferred exchanges in consideration for property that was itself taxable Canadian property.

Disposition of Lithium One Common Shares and Lithium One Notes

A Non-Resident Holder will not be subject to tax under the ITA on the disposition of Lithium One Common Shares or Lithium One Notes pursuant to the Arrangement or on the holding or disposition of Galaxy Shares or Galaxy Notes. Interest paid on Lithium One Notes pursuant to the Arrangement to a Non-Resident Holder will be subject to applicable withholding tax under the ITA, if any.

Dissenting Non-Resident Holders

A Non-Resident Holder who is a Dissenting Lithium One Shareholder or who exercises his or her right of dissent and is ultimately determined not to be entitled to be paid fair value of his Lithium One Common Shares by Canco will not be subject to tax under the ITA on the disposition of Lithium One Common Shares held by such Non-Resident Holder.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS FOR LITHIUM ONE OPTIONHOLDERS

The following is, as of the date hereof, a summary of certain Canadian federal income tax considerations generally applicable under the ITA in respect of the Arrangement that will generally apply to a Lithium One Optionholder who (i) at all relevant times, is, or is deemed to be, resident in Canada for the purposes of the ITA, (ii) disposes his Lithium One Options pursuant to the Plan of Arrangement, (iii) is a current or former employee or director of Lithium One, (iv) received his Lithium One Options in respect of, in the course of, or by virtue of, such employment or in consideration for the services performed by him as a director of Lithium One, (v) at the time the Lithium One Optionholder's Lithium One Options were granted, dealt at arm's length with Lithium One, and (vi) holds the Galaxy Shares received on the disposition of the Lithium One Options as capital property. This summary does not describe the tax consequences of an exercise or other disposition of Lithium One Options by Lithium One Optionholders, prior to the Effective Time, and holders who have, or wish to, exercise or dispose of their Lithium One Options prior to the Effective Time should consult their own tax advisors. Lithium One Optionholders to whom this summary does not apply should consult their own advisors with respect to the consequences of transactions contemplated herein.

Disposition of Lithium One Options for Galaxy Shares

The terms of the Arrangement provide that Lithium One Options that are not exercised prior to the Effective Time and are "in the money" will be disposed of for Galaxy Shares. A Lithium One Optionholder will be required to include in computing his or her income from employment for such year, the fair market value, at the Effective Time, of the Galaxy Shares received (the "Benefit"). A Lithium One Optionholder may, in computing taxable income for the taxation year in which the Benefit is included in income, deduct one half of the amount of the Benefit, provided the Lithium One Optionholder deals at arm's length with Lithium One and certain other conditions are met. Lithium One Optionholders should consult their own advisors in this regard.

The cost to a Lithium One Optionholder of Galaxy Shares acquired on disposition of Lithium One Options will be equal to the fair market value of the Galaxy Shares at the Effective Time and will generally be averaged with the adjusted cost base of any other Galaxy Shares held at that time by the Lithium One Optionholder as capital property for purposes of determining the Lithium One Optionholder's adjusted cost base of such Galaxy Shares.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

TREASURY DEPARTMENT CIRCULAR 230. TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, U.S. HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS DOCUMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY A U.S. HOLDER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE INTERNAL REVENUE CODE; (B) THIS SUMMARY WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED IN THIS DOCUMENT; AND (C) EACH U.S. HOLDER SHOULD SEEK ADVICE BASED ON SUCH U.S. HOLDER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following is a summary of certain material U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) arising from the Arrangement, including the receipt of Galaxy Shares and the ownership and disposition of Galaxy Shares. This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder as a result of the Arrangement or as a result of the ownership and disposition of the Galaxy Shares received in connection with the Arrangement. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax considerations applicable to a U.S. Holder. Accordingly, this summary is not intended to be, and should not be construed as, legal, business, or tax advice with respect to any U.S. Holder. Moreover, this summary is not binding on the U.S. Internal Revenue Service (the "IRS") or the U.S. courts, and no assurance can be provided that the conclusions reached in this summary will not be challenged by the IRS or will be sustained by a U.S. court if so challenged. Lithium One has not requested, and does not intend to request, a ruling from the IRS or an opinion from legal counsel regarding any of the U.S. federal income tax consequences of the Arrangement. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. state and local, and foreign tax consequences of the Arrangement and the receipt, ownership and disposition of Galaxy Shares received in connection with the Arrangement.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), U.S. Treasury Regulations (final, temporary, and proposed) promulgated thereunder, U.S. court decisions, published IRS rulings and published administrative positions of the IRS, and the Convention between the Government of the United States of America and the Government of Australia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "Treaty"), that are applicable and, in each case, as in effect and available, as of the date of this document. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive basis and could affect the U.S. federal income tax considerations described in this summary.

For purposes of this summary, a "U.S. Holder" is a beneficial owner of Lithium One Common Shares (or Galaxy Shares following the exchange of Lithium One Common Shares for Galaxy Shares under the Arrangement) that is (a) an individual who is a citizen or resident of the U.S. as determined for U.S. federal income tax purposes; (b) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S., any U.S. state, or the District of Columbia; (c) an estate whose income is subject to U.S. federal income taxation regardless of its source; or (d) a trust (i) if a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (ii) that has validly elected to be treated as a U.S. person under applicable U.S. Treasury Regulations.

This summary does not address the U.S. federal income tax considerations of the Arrangement to U.S. Holders that are subject to special provisions under the Code, including U.S. Holders: (a) that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax deferred accounts; (b) that are financial institutions, insurance companies, real estate investment trusts, or regulated investment companies or that are broker

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dealers, dealers, or traders in securities or currencies that elect to apply a mark to market accounting method; (c) that have a "functional currency" other than the U.S. dollar; (d) that own Lithium One Common Shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (e) that acquired Lithium One Common Shares (or after the Arrangement, Galaxy Shares) in connection with the exercise of employee stock options or otherwise as compensation for services; (f) that hold Lithium One Common Shares (or after the Arrangement, Galaxy Shares) other than as a capital asset within the meaning of Section 1221 of the Code; (g) who are U.S. expatriates or former long term residents of the United States; (h) that own, or will own after the Effective Time, directly, indirectly, or by attribution, ten percent or more, by voting power or value, of the outstanding Lithium One Common Shares or Galaxy Shares; or (i) that are liable for the "alternative minimum tax" under the Code. U.S. Holders that are subject to special provisions under the Code, including U.S. Holders described immediately above, should consult their own tax advisors regarding the U.S. federal, U.S. state and local, and foreign tax consequences of the Arrangement and the receipt, ownership and disposition of Galaxy Shares received in connection with the Arrangement.

If an entity that is classified as a partnership (or "pass through" entity) for U.S. federal income tax purposes holds Lithium One Common Shares (or after the Arrangement, Galaxy Shares), the U.S. federal income tax consequences to such partnership (or "pass through" entity) and the partners of such partnership (or owners of such "pass through" entity) of participating in the Arrangement and owning Galaxy Shares generally will depend on the activities of the partnership (or "pass through" entity) and the status of such partners (or owners). Partners of entities that are classified as partnerships (and owners of "pass through" entities) for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences of the Arrangement and the receipt, ownership and disposition of Galaxy Shares received in connection with the Arrangement.

This summary does not address the state, local, U.S. federal alternative minimum tax, estate and gift, or foreign tax consequences to U.S. Holders of the Arrangement. Each U.S. Holder should consult its own tax advisor regarding the state, local, U.S. federal alternative minimum tax, estate and gift, and foreign tax consequences to them of the Arrangement and the receipt, ownership and disposition of Galaxy Shares received in connection with the Arrangement.

Receipt of Galaxy Shares

The exchange of Lithium One Common Shares for Galaxy Shares pursuant to the Arrangement will be a taxable transaction for U.S. federal income tax purposes. Accordingly, U.S. Holders that exchange their Lithium One Common Shares will recognize gain or loss on such exchange equal to the difference between the "amount realized" and the U.S. Holder's aggregate adjusted tax basis in the Lithium One Common Shares exchanged. The "amount realized" will equal the fair market value of the Galaxy Shares received by such U.S. Holder. Subject to the discussion below under the heading "Passive Foreign Investment Companies," any gain or loss realized will be capital gain or loss and will be long term capital gain or loss if the Lithium One Common Shares disposed of were held for more than one year. Preferential tax rates apply to long term capital gains of a U.S. Holder that is an individual, estate, or trust. Deductions for capital losses are subject to complex limitations under the Code. Any gain or loss that a U.S. Holder recognizes generally will be treated as gain or loss from sources within the U.S. for purposes of the U.S. foreign tax credit limitation.

A U.S. Holder's initial tax basis in the Galaxy Shares received will equal their fair market value, and the U.S. Holder's holding period with respect to such Galaxy Shares will begin on the day after the Effective Date.

U.S. Holders Exercising Dissent Rights

A U.S. Holder that exercises dissent rights in the Arrangement and is paid cash in exchange for all of such U.S. Holder's Lithium One Common Shares generally will recognize gain or loss in an amount equal to the difference, if any, between (a) the U.S. dollar value on the date of receipt of the Canadian currency (other than amounts, if any, which are or are deemed to be interest for U.S. federal income tax purposes, which will be taxed as ordinary income) and (b) the adjusted tax basis of such U.S. Holder in such Lithium One Common Shares surrendered. Subject to the discussion below under the heading "Passive Foreign Investment Companies," such gain or loss generally will be capital gain or loss and will be long term capital gain or loss if such Lithium One Common Shares are held for more

than one year. Preferential tax rates apply to long term capital gains of a U.S. Holder that is an individual, estate, or trust. Deductions for capital losses are subject to complex limitations under the Code.

Tax Consequences of Holding and Disposing of Galaxy Shares

Receipt of Distributions on Galaxy Shares

Subject to the discussion below under the heading "Passive Foreign Investment Companies," the gross amount of any cash distribution with respect to Galaxy Shares, before reduction for Australian withholding tax, if any, will be taxable to U.S. Holders of Galaxy Shares as foreign source dividend income to the extent of Galaxy's current and accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent that the amount of a distribution exceeds Galaxy's current and accumulated earnings and profits, as determined under U.S. federal income tax principles, such distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted tax basis of the Galaxy Shares (thereby increasing the amount of gain or decreasing the amount of loss that a U.S. Holder would recognize on a subsequent disposition of Galaxy Shares). Any balance in excess of the adjusted tax basis will be subject to tax as capital gain.

Subject to certain limitations, dividends paid to non-corporate U.S. Holders, including individuals, may be eligible for a reduced rate of taxation if Galaxy is a "qualified foreign corporation" for U.S. federal income tax purposes and if certain holding period requirements are satisfied. A qualified foreign corporation includes a non-U.S. corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States that includes an exchange of information program and that the U.S. Treasury Department has determined to be satisfactory for purposes of the qualified dividend provisions of the Code. The U.S. Treasury Department has determined that the Treaty is satisfactory for such purposes and Galaxy believes it is eligible for the benefits of the Treaty. A qualified foreign corporation does not include a non-U.S. corporation that is a passive foreign investment company (a "PFIC") for the tax year in which a dividend is paid or that was a PFIC for the preceding tax year. As discussed below under the heading "Passive Foreign Investment Companies", Galaxy believes that it likely will be a PFIC in the tax year in which the Arrangement occurs. Accordingly, dividends paid on the Galaxy Shares may not be eligible for a reduced rate of taxation.

Distributions will be includable in a U.S. Holder's gross income on the date actually or constructively received by the U.S. Holder. These dividends will not be eligible for the dividends received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

If Galaxy pays distributions on the Galaxy Shares in Australian dollars, the U.S. dollar value of such distributions should be calculated by reference to the exchange rate prevailing on the date of actual or constructive receipt of the distributions, regardless of whether the Australian dollars are converted into U.S. dollars at that time. A U.S. Holder's tax basis in such Australian dollars will be equal to their U.S. dollar value on the date of actual or constructive receipt of such distributions and, as a result, the U.S. Holder generally will not be required to recognize any foreign currency exchange gain or loss if such Australian dollars are converted into U.S. dollars on such date. Any gain or loss recognized on a subsequent conversion or other disposition of the Australian dollars generally will be treated as U.S. source ordinary income or loss for purposes of the U.S. foreign tax credit limitation.

A U.S. Holder may be entitled to claim a U.S. foreign tax credit for, or deduct, Australian taxes that are withheld on distributions received by the U.S. Holder, subject to applicable limitations in the Code. Dividends paid on the Galaxy Shares generally will be "passive category income" or "general category income" for U.S. foreign tax credit limitation purposes. The amount of foreign income taxes that may be claimed as a credit in any year is subject to complex limitations and restrictions, which must be determined on an individual basis by each holder. U.S. Holders are urged to consult their tax advisors regarding the availability of the U.S. foreign tax credit in their particular circumstances.

Sale, Exchange, or Other Disposition of Galaxy Shares

Subject to the discussion below under the heading "Passive Foreign Investment Companies," upon the sale, exchange, or other disposition of Galaxy Shares (except in the case of certain redemption transactions), a U.S.

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Holder generally will recognize capital gain or loss equal to the difference between the amount realized upon the sale, exchange, or other disposition of Galaxy Shares and the U.S. Holder's adjusted tax basis in the Galaxy Shares. The capital gain or loss generally will be long term capital gain or loss if, at the time of sale, exchange, or other disposition, the U.S. Holder has held the Galaxy Shares for more than one year. Preferential tax rates apply to long term capital gains of a U.S. Holder that is an individual, estate, or trust. Deductions for capital losses are subject to significant limitations under the Code. Any gain or loss that a U.S. Holder recognizes generally will be treated as gain or loss from sources within the U.S. for purposes of the U.S. foreign tax credit limitation.

If a U.S. Holder receives any foreign currency on the sale of Galaxy Shares, such U.S. Holder may recognize ordinary income or loss as a result of currency fluctuations between the date of the sale of Galaxy Shares and the date the sale proceeds are converted into U.S. dollars.

Passive Foreign Investment Companies

Qualification

A foreign corporation generally will be considered a PFIC if, for a given tax year, (a) 75 percent or more of the gross income of the corporation for such tax year is passive income or (b) on average, 50 percent or more of the assets held by the corporation either produce passive income or are held for the production of passive income, based on the fair market value of such assets. "Passive income" includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions.

For purposes of the PFIC income test and asset test described above, if a corporation owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, the first corporation will be treated as if it (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation. In addition, for purposes of the PFIC income test and asset test described above, "passive income" does not include any interest, dividends, rents, or royalties that are received or accrued by a corporation from a "related person," to the extent such items are properly allocable to the income of such related person that is not passive income.

If a corporation is a PFIC and owns shares of another foreign corporation that also is a PFIC (a "Subsidiary PFIC"), under certain indirect ownership rules, a disposition of the shares of the Subsidiary PFIC or a distribution received from the Subsidiary PFIC generally will be treated as an indirect disposition by a U.S. Holder or an indirect distribution received by a U.S. Holder. To the extent that gain recognized on the actual disposition by a U.S. Holder of shares of a corporation which is a PFIC or income recognized by a U.S. Holder on an actual distribution received on shares of a PFIC was previously subject to U.S. federal income tax under these indirect ownership rules, such amount generally should not be subject to U.S. federal income tax.

PFIC Status of Lithium One

Under the PFIC rules, Lithium One does not believe that it was a PFIC for the tax year ended December 31, 2011; it does, however, expect to be a PFIC for the tax year in which the Arrangement occurs. However, PFIC status is fundamentally factual in nature, generally cannot be determined until the close of the tax year in question and is determined annually. Additionally, the analysis depends, in part, on complex U.S. federal income tax rules which are subject to varying interpretations. Consequently, there can be no assurance regarding the PFIC status of Lithium One for any prior tax year or the current tax year. If Lithium One was a PFIC at any time during a U.S. Holder's holding period for the Lithium One Common Shares, then the tax consequences of exchanging such shares will be significantly modified, and generally worsened, by the PFIC rules discussed below. Each U.S. Holder should consult its own tax advisor regarding whether Lithium One was a PFIC at any time during such U.S. Holder's holding period for the Lithium One Common Shares.

PFIC Status of Galaxy

Under the PFIC rules, Galaxy expects to be a PFIC for the tax year in which the Arrangement occurs; based on current projections, it does not, however, expect to be a PFIC for the tax year ending December 31, 2013.

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However, PFIC status is fundamentally factual in nature, generally cannot be determined until the close of the tax year in question and is determined annually. Additionally, the analysis depends, in part, on complex U.S. federal income tax rules which are subject to varying interpretations. Consequently, there can be no assurance regarding the PFIC status of Galaxy for the tax year in which the Arrangement occurs or any subsequent tax year. If Galaxy is a PFIC in any year in a U.S. Holder's holding period for Galaxy Shares (regardless of whether Galaxy continues to be a PFIC), then the tax consequences to such U.S. Holder of holding and disposing of such shares will be significantly modified, and generally worsened, by the PFIC rules discussed below. Each U.S. Holder should consult its own tax advisor regarding whether Galaxy will be a PFIC for the tax year in which the Arrangement occurs or for any subsequent tax year.

Consequences of the Ownership and Disposition of Shares of a PFIC

Default PFIC Rules Under Section 1291 of the Code

If any corporation is or has been a PFIC, the U.S. federal income tax consequences to a U.S. Holder of the acquisition, ownership, and disposition of shares of such company or companies will depend on whether such U.S. Holder makes an election to treat such PFIC as a "qualified electing fund" or "QEF" under Section 1295 of the Code (a "QEF Election") or has made a mark to market election under Section 1296 of the Code (a "Mark to Market Election") with respect to the PFIC shares. A U.S. Holder that does not make either a timely QEF Election or a Mark to Market Election with respect to shares in a PFIC will be referred to in this summary as a "Non Electing U.S. Holder."

A Non Electing U.S. Holder will be subject to the rules of Section 1291 of the Code as follows:

- any gain on the sale, exchange, or other disposition of shares and any "excess distribution" (defined as an annual distribution that is more than 25% in excess of the average annual distribution over the past three years) will be allocated rateably over such U.S. Holder's holding period for the shares;

- the amount allocated to the current tax year and any year prior to the first year in which the corporation was classified as a PFIC will be taxed as ordinary income in the current year;

- the amount allocated to each of the other tax years will be subject to tax at the highest rate of tax in effect for ordinary income for the applicable class of taxpayer for that year; and

- an interest charge for a deemed deferral benefit will be imposed with respect to the resulting tax attributable to each of the other tax years, calculated as if such tax liability had been due in each such prior year, which interest charge is not deductible by non-corporate U.S. Holders.

The amount of any such gain or excess distribution allocated to the current year of such Non Electing U.S. Holder's holding period for the PFIC's shares will be treated as ordinary income in the current year, and no interest charge will be incurred with respect to the resulting tax liability for the current year.

If a corporation is a PFIC for any tax year during a Non Electing U.S. Holder's holding period for the shares of such corporation, the corporation will continue to be treated as a PFIC with respect to such Non Electing U.S. Holder, regardless of whether such corporation ceases to be a PFIC in one or more subsequent years. A Non Electing U.S. Holder may terminate this deemed PFIC status with respect to the PFIC shares by electing to recognize gain (which will be taxed under the rules discussed above) as if such shares were sold on the last day of the last tax year for which such corporation was a PFIC.

QEF Election

A U.S. Holder that makes a QEF Election for the first year in which its holding period for PFIC shares begins generally will not be subject to the rules of Section 1291 of the Code discussed above. However, a U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such U.S. Holder's pro rata share of:

(a) the net capital gain of the PFIC, which will be taxed as long term capital gain to such U.S. Holder, and

(b) the ordinary earnings of the PFIC, which will be taxed as ordinary income to such U.S. Holder.

A U.S. Holder that makes a QEF Election with respect to a PFIC will be subject to U.S. federal income tax on such amounts for each tax year in which such corporation is a PFIC, regardless of whether such amounts are actually distributed to such U.S. Holder. However, for any tax year in which a corporation is a PFIC and has no net income or gain, U.S. Holders that have made a QEF Election would not have any income inclusions as a result of the QEF Election. If a U.S. Holder that made a QEF Election has an income inclusion, such a U.S. Holder may, subject to certain limitations, elect to defer payment of current U.S. federal income tax on such amounts, subject to an interest charge. If such U.S. Holder is not a corporation, any such interest paid will be treated as "personal interest", which is not deductible.

A U.S. Holder that makes a QEF Election with respect to a PFIC generally (a) may receive a tax free distribution from such PFIC to the extent that such distribution represents "earnings and profits" of the PFIC that were previously included in income by the U.S. Holder because of such QEF Election and (b) will adjust such U.S. Holder's tax basis in the shares of such PFIC to reflect the amount included in income or allowed as a tax free distribution because of such QEF Election. In addition, a U.S. Holder that makes a QEF Election with respect to shares of a PFIC generally will recognize capital gain or loss on the sale or other taxable disposition of such shares in an amount equal to the difference between the amount realized on the sale or other taxable disposition and the U.S. Holder's adjusted tax basis in the shares.

The procedure for making a QEF Election, and the U.S. federal income tax consequences of making a QEF Election, will depend on whether such QEF Election is timely. A QEF Election will be treated as "timely" if such QEF Election is made for the first year in the U.S. Holder's holding period for the PFIC shares in which the corporation was a PFIC. A U.S. Holder may make a timely QEF Election by filing the appropriate QEF Election documents at the time such U.S. Holder files a U.S. federal income tax return for such first year. However, if a party to the Arrangement was a PFIC in a prior year, then in addition to filing the QEF Election documents, a U.S. Holder must elect to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above) as if the PFIC shares were sold on the qualification date. The "qualification date" is the first day of the first tax year in which the PFIC was a QEF with respect to such U.S. Holder. The election to recognize such gain or "earnings and profits" can only be made if such U.S. Holder's holding period for the PFIC shares includes the qualification date. By electing to recognize such gain or "earnings and profits," such U.S. Holder will be deemed to have made a timely QEF Election. In addition, under very limited circumstances, a U.S. Holder may make a retroactive QEF Election if such U.S. Holder failed to file the QEF Election documents in a timely manner.

A QEF Election will apply to the tax year for which such QEF Election is made and to all subsequent tax years, unless such QEF Election is invalidated or terminated or the IRS consents to revocation of such QEF Election. If a U.S. Holder makes a QEF Election with respect to a PFIC and, in a subsequent tax year, such corporation ceases to be a PFIC, the QEF Election will remain in effect (although it will not be applicable) during those tax years in which such corporation is not a PFIC. Accordingly, if such corporation becomes a PFIC in a subsequent tax year, the QEF Election will be effective and the U.S. Holder will be subject to the QEF rules described above during any such subsequent tax year in which such corporation qualifies as a PFIC. In addition, the QEF Election will remain in effect (although it will not be applicable) with respect to a U.S. Holder even after such U.S. Holder disposes of all of such U.S. Holder's direct and indirect interest in the PFIC's shares. Accordingly, if such U.S. Holder reacquires an interest in such PFIC, such U.S. Holder will be subject to the QEF rules described above for each tax year in which such corporation is a PFIC and such U.S. Holder holds its shares.

U.S. Holders should be aware that there can be no assurance that Galaxy will satisfy the recordkeeping requirements that apply to a QEF or that it will supply U.S. Holders with information that such U.S. Holders would require to report under the QEF rules, in the event that it were a PFIC and a U.S. Holder wished to make a QEF Election in respect to it. Each U.S. Holder should consult its own tax advisor regarding the availability and advisability of, and procedure for making, a QEF Election with respect to any party to the Arrangement which is a PFIC or may become a PFIC.

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Mark to Market Election

A U.S. Holder may make a Mark to Market Election with respect to shares in a PFIC only if the shares are marketable stock. A PFIC's shares generally will be "marketable stock" if they are regularly traded on (a) a national securities exchange that is registered with the Securities and Exchange Commission, (b) the national market system established pursuant to Section 11A of the Securities and Exchange Act of 1934, or (c) a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located, provided that (i) such foreign exchange has trading volume, listing, financial disclosure, and other requirements and the laws of the country in which such foreign exchange is located, together with the rules of such foreign exchange, ensure that such requirements are actually enforced and (ii) the rules of such foreign exchange ensure active trading of listed stocks. If such stock is traded on such a qualified exchange or other market, such stock generally will be "regularly traded" for any calendar year during which such stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. Shares regularly traded on the ASX should qualify as marketable stock for this purpose.

A U.S. Holder that makes a Mark to Market Election with respect to its shares in a PFIC generally will not be subject to the rules of Section 1291 of the Code discussed above. However, if a U.S. Holder makes a Mark to Market Election after the beginning of such U.S. Holder's holding period for the PFIC shares and such U.S. Holder has not made a timely QEF Election, the rules of Section 1291 of the Code discussed above will apply to certain dispositions of, and distributions on, the shares of such PFIC.

A U.S. Holder that makes a Mark to Market Election with respect to shares in a PFIC will include in ordinary income, for each tax year in which corporation is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the shares in such PFIC as of the close of such tax year over (b) such U.S. Holder's tax basis in such PFIC shares. A U.S. Holder that makes a Mark to Market Election will be allowed a deduction in an amount equal to the lesser of (a) the excess, if any, of (i) such U.S. Holder's adjusted tax basis in the PFIC shares over (ii) the fair market value of such PFIC shares as of the close of such tax year or (b) the excess, if any, of (i) the amount included in ordinary income because of such Mark to Market Election for prior tax years over (ii) the amount allowed as a deduction because of such Mark to Market Election for prior tax years.

A U.S. Holder that makes a Mark to Market Election with respect to shares in a PFIC generally also will adjust such U.S. Holder's tax basis in such PFIC shares to reflect the amount included in gross income or allowed as a deduction because of such Mark to Market Election. In addition, upon a sale or other taxable disposition of such PFIC shares, a U.S. Holder that makes a Mark to Market Election will recognize ordinary income or loss (not to exceed the excess, if any, of (a) the amount included in ordinary income because of such Mark to Market Election for prior tax years over (b) the amount allowed as a deduction because of such Mark to Market Election for prior tax years).

A Mark to Market Election applies to the tax year in which such Mark to Market Election is made and to each subsequent tax year, unless the shares of the PFIC cease to be "marketable stock" or the IRS consents to revocation of such election. Each U.S. Holder should consult its own tax advisor regarding the availability and advisability of, and procedure for making, a Mark to Market Election.

The PFIC rules are complex, and each U.S. Holder should consult its own tax advisor regarding the PFIC rules and how the PFIC rules may affect the U.S. federal income tax consequences attributable to the shares surrendered or received pursuant to the Arrangement.

Additional Tax on Passive Income

For tax years beginning after December 31, 2012, U.S. Holders with income in excess of certain thresholds will generally be subject to a 3.8 percent Medicare contribution tax on unearned income, including, among other things, dividends on, and capital gains from the sale or other taxable disposition of, Galaxy shares, subject to certain limitations and exceptions. Each U.S. Holder is urged to consult its own tax advisor regarding the effect, if any, of this tax on the ownership and disposition of Galaxy Shares.

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Information Reporting; Backup Withholding Tax

Payments of cash made to U.S. Holders relating to the exercise of Dissent Rights under the Arrangement, and payments of cash or property made to U.S. Holders relating to dividends on, or proceeds arising from the sale or other taxable disposition of Galaxy Shares generally will be subject to U.S. federal information reporting and may be subject to backup withholding tax, currently at the rate of 28%, if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on Form W-9); (b) fails to certify, under penalties of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, U.S. Holders that are corporations generally are excluded from these information reporting and backup withholding tax rules. Backup withholding is not an additional tax. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded to the extent it exceeds such liability, if such U.S. Holder furnishes required information to the IRS in a timely manner. A U.S. Holder that does not provide a correct U.S. taxpayer identification number may be subject to penalties imposed by the IRS. Each U.S. Holder should consult its own tax advisor regarding the information reporting and backup withholding tax rules.

In addition, U.S. Holders should be aware that the Hiring Incentives to Restore Employment Act of 2010, enacted March 18, 2010, imposes reporting requirements with respect to the holding of "foreign financial assets" (which may include Galaxy Shares) other than through a custodial account with a U.S. financial institution, if the aggregate value of all of such assets exceeds an applicable threshold amount. U.S. Holders that fail to report the required information could become subject to substantial penalties. In addition, if a U.S. Holder does not file the required information relating to such assets, the statute of limitations on the assessment and collection of U.S. federal income taxes of such U.S. Holder for the related tax year will not close before such information is filed. Each U.S. Holder should consult its own tax advisor regarding the possible implications of this legislation on the ownership of Galaxy Shares.

CERTAIN AUSTRALIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of the Australian tax consequences of a Lithium One Securityholder or Lithium One Noteholder who is not a resident of Australia of the Arrangement. This summary is of a general nature and based on the law and practice as in effect at 9:00 am Sydney time on the date of this Notice of Special Meeting and Management Proxy Circular.

The discussion below is not intended to constitute a complete analysis of all the Australian tax consequences relating to the Arrangement, or all the Australian tax consequences of the Arrangement for all for Lithium One Securityholders and Lithium One Noteholders, some of whom may be subject to special or additional rules. This summary is not intended to address the Australian tax consequences to any person who is a resident of Australia or who acquires, holds or disposes of the Lithium One Common Shares, Lithium One Options, Galaxy Shares, Exchangeable Shares, Lithium One Notes or Galaxy Notes as part of or in the course of carrying on a business in Australia, via a permanent establishment, branch or in any other manner. This summary is also not intended to address the Australian tax consequences to any person who at any time holds or has the right to acquire 10% or more of the voting rights in or rights to distribution of income or capital from Galaxy on an associate inclusive basis.

Each Lithium One Securityholder and Lithium One Noteholder should consult their own tax advisers concerning the tax consequences of the Arrangement in their own particular circumstances.

Lithium One Optionholders

Lithium One Optionholders who are not Australian residents, and who do not hold their Lithium One Options as part of or in the course of carrying on a business in Australia, via a permanent establishment, branch or in any other manner should not be subject to Australian tax in respect of the Arrangement to the extent that it affects their Lithium One Options.

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Disposal of Lithium One Common Shares in exchange for Exchangeable Shares

Lithium One Shareholders who are not Australian residents, and who do not hold their Lithium One Common Shares as part of or in the course of carrying on a business in Australia, via a permanent establishment, branch or in any other manner should not be subject to Australian tax in respect of any of the disposal of their Lithium One Common Shares in exchange for Exchangeable Shares, the receipt of the Ancillary Rights, the grant of the Call Rights to Callco and Galaxy or any subsequent events in respect of the Ancillary Rights or Call Rights.

Distributions on Exchangeable Shares

Lithium One Shareholders who are not Australian residents, and who do not hold Exchangeable Shares as part of or in the course of carrying on a business in Australia, via a permanent establishment, branch or in any other manner should not be subject to Australian tax in respect of distributions received on their Exchangeable Shares.

Disposal of Exchangeable Shares

Lithium One Shareholders who are not Australian residents, and who do not hold their Exchangeable Shares as part of or in the course of carrying on a business in Australia, via a permanent establishment, branch or in any other manner should not be subject to Australian tax in respect of the retraction, redemption, exchange or other disposal of their Exchangeable Shares, whether in exchange for Galaxy Shares or for other consideration.

Disposal of Lithium One Common Shares in exchange for Galaxy Shares

Lithium One Shareholders who are not Australian residents, and who do not hold their Lithium One Common Shares as part of or in the course of carrying on a business in Australia, via a permanent establishment, branch or in any other manner should not be subject to Australian tax in respect of the disposal of their Lithium One Common Shares in exchange for Galaxy Shares.

Exchange of Lithium One Notes for Galaxy Notes

Lithium One Noteholders who are not Australian residents, and who do not hold their Lithium One Notes as part of or in the course of carrying on a business in Australia, via a permanent establishment, branch or in any other manner should not be subject to Australian tax in respect of the disposal of their Lithium One Notes in exchange for Galaxy Notes.

Interest paid on Galaxy Notes

Interest paid on Galaxy Notes to Galaxy Noteholders who are not Australian residents, and who do not hold their Lithium One Notes as part of or in the course of carrying on a business in Australia via a permanent establishment may be subject to Australian withholding tax. Interest paid on Galaxy Notes to Galaxy Noteholders who are not Australian residents, and who do not hold their Lithium One Notes as part of or in the course of carrying on a business in Australia via a permanent establishment should not otherwise be subject to Australian tax.

Galaxy would have a legal obligation to withhold the appropriate amount of withholding tax, pay the amount withheld to the Australian Taxation Office, and pay the net interest plus such additional amount as is necessary to ensure that the Galaxy Noteholder receives the same total amount as it would have received in interest on the Galaxy Notes had no Australian withholding tax been payable. Under the terms of the Galaxy Notes, Galaxy indemnifies Galaxy Noteholders for any Australian tax liability arising out of any failure by Galaxy to withhold the appropriate amount of Australian tax and pay the amount withheld to the Australian Taxation Office.

Galaxy must also provide to the Galaxy Noteholder details of the Australian tax withheld. Where the Galaxy Noteholder claims a foreign tax credit in their home country for the Australian tax withheld, the Galaxy Noteholder must repay so much of any additional amount received as is necessary to ensure that the Galaxy Noteholder receives the same total amount as it would have received in interest on the Galaxy Notes had no Australian withholding tax been payable. However, the right of the Galaxy Noteholder to arrange its tax affairs as it sees fit is expressly

preserved, and the Galaxy Noteholder would not be required to disclose any confidential information about its tax affairs to Galaxy.

Conversion of Galaxy Notes

Galaxy Noteholders should not be subject to Australian tax in respect of the conversion of their Galaxy Notes.

Repayment or disposal of Galaxy Notes

Galaxy Noteholders who are not Australian residents, and who do not hold their Galaxy Notes as part of or in the course of carrying on a business in Australia, via a permanent establishment, branch or in any other manner should not be subject to Australian tax in respect of any profit or gain on the repayment or disposal of their Galaxy Notes, provided that, in the case of ordinary income tax, the profit does not have an Australian source and, in the case of capital gains tax, the holder of the Galaxy Notes and its associates do not at any time hold or have the right to acquire 10% or more of the voting rights in or rights to distribution of income or capital from Galaxy.

Whether a profit or gain from the repayment or disposal of the Galaxy Note would potentially be subject to the ordinary income tax rules at all (so as to make the question of source relevant) will depend on the circumstances of the particular non-resident holder. The application of the source rules depends heavily on the particular facts and circumstances of each case, and can be uncertain. Even if a profit from the disposal of Galaxy Note by a non-resident holder was to have an Australian source it would be necessary for the non-resident holder to determine whether there is an applicable double tax treaty between Australia and the country of which the non-resident holder is a resident that may prevent or limit Australia's right to tax a profit in the particular facts and circumstances of the non-resident holder.

For a Canadian resident holder of a Galaxy Note who does not acquire, hold or dispose of the Galaxy Note in Australia or in connection with a business carried on in Australia, the Canada-Australia double tax treaty would normally protect the Canadian resident holder of a Galaxy Note from ordinary income tax on the disposal of a Galaxy Note (but not from capital gains tax).

Dividends paid on the Galaxy Shares to a holder of Galaxy Shares who is not a resident of Australia and who does not acquire or hold the Galaxy Shares in Australia or in connection with a business carried on in Australia should not be subject to Australian income or withholding tax to the extent to which those dividends are either franked or declared to be conduit foreign income. Broadly, a franked dividend is a dividend which is declared by Galaxy to have been paid out of profits on which Galaxy has paid Australian corporate tax, and a dividend declared to be conduit foreign income is a dividend which is declared by Galaxy to have been paid out of non-Australian sourced profits.

That part of any such dividends which is neither franked nor declared to be conduit foreign income would be subject to Australian dividend withholding tax at the rate of 30%, unless that rate is reduced by an applicable double tax treaty between Australia and the country of which the holder of the Galaxy Share is a resident. For a Canadian resident holder of a Galaxy Share, the Canada-Australia double tax treaty would normally reduce the applicable withholding tax rate to 15% in respect of unfranked dividends paid on a Galaxy Share.

Other distributions paid on the Galaxy Shares to a holder of Galaxy Shares who is not a resident of Australia, who does not acquire or hold the Galaxy Shares in Australia or in connection with a business carried on in Australia and who does not at any time hold or have the right to acquire 10% or more of the voting rights in or rights to distribution of income or capital from Galaxy on an associate inclusive basis should not be subject to Australian income or withholding tax

Disposal of Galaxy Shares

A holder of a Galaxy Share who is not a resident of Australia and who does not acquire, hold or dispose of the Galaxy Share in Australia or in connection with a business carried on in Australia should not be subject to any Australian income or capital gains tax on a profit or gain from the disposal of the Galaxy Share, provided that, in the

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case of ordinary income tax, the profit does not have an Australian source and, in the case of capital gains tax, the holder of the Galaxy Share and its associates do not at any time hold or have the right to acquire 10% or more of the voting rights in or rights to distribution of income or capital from Galaxy.

Whether a profit or gain from the disposal of the Galaxy Share would potentially be subject to the ordinary income tax rules at all (so as to make the question of source relevant) will depend on the circumstances of the particular non-resident holder. The application of the source rules depends heavily on the particular facts and circumstances of each case, and can be uncertain. Even if a profit from the disposal of Galaxy Shares by a non-resident holder was to have an Australian source it would be necessary for the non-resident holder to determine whether there is an applicable double tax treaty between Australia and the country of which the non-resident holder is a resident that may prevent or limit Australia's right to tax a profit in the particular facts and circumstances of the non-resident holder.

For a Canadian resident holder of a Galaxy Share who does not acquire, hold or dispose of the Galaxy Share in Australia or in connection with a business carried on in Australia, the Canada-Australia double tax treaty would normally protect the Canadian resident holder of a Galaxy Share from ordinary income tax on the disposal of a Galaxy Share (but not from capital gains tax).

RISK FACTORS RELATING TO THE ARRANGEMENT

The following risk factors should be considered by Lithium One Shareholders in evaluating whether to approve the Arrangement Resolution. These risk factors should be considered in conjunction with the other information contained in or incorporated by reference into this Circular. These risk factors relate to the Arrangement. For information on risks and uncertainties relating to the business of Galaxy, the Galaxy Shares and Exchangeable Shares, see "Risk Factors" in Appendix C — "Information Relating to Galaxy and Canco".

Because the market price of Galaxy Shares and Lithium One Common Shares will fluctuate and the exchange ratio is fixed, Lithium One Shareholders cannot be certain of the market value of the consideration they will receive for their Lithium One Common Shares under the Arrangement.

The exchange ratio is fixed and will not increase or decrease due to fluctuations in the market price of Galaxy Shares or Lithium One Common Shares. The market price of Galaxy Shares or Lithium One Common Shares could each fluctuate significantly prior to the Effective Date in response to various factors and events, including, the differences between Galaxy's and Lithium One's actual financial or operating results and those expected by investors and analysts, changes in analysts' projections or recommendations, changes in general economic or market conditions, and broad market fluctuations. As a result of such fluctuations, historical market prices are not indicative of future market prices or the market value of the Galaxy Common Shares or Exchangeable Shares that holders of Lithium One Common Shares may receive on the Effective Date. There can be no assurance that the market value of the Galaxy Shares or Exchangeable Shares that the holders of Lithium One Common Shares may receive on the Effective Date will equal or exceed the market value of the Lithium One Common Shares held by such Shareholders prior to the Effective Date. Similarly, there can be no assurance that the trading price of Galaxy Shares will not decline following the completion of the Arrangement.

There can be no certainty that all conditions precedent to the Arrangement will be satisfied. Failure to complete the Arrangement could negatively impact the market price of the Lithium One Common Shares.

The Arrangement is subject to certain conditions that may be outside the control of Lithium One, including the receipt of the Final Order. There can be no certainty, nor can Lithium One provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. If the Arrangement is not completed, the market price of the Lithium One Common Shares may decline to the extent that the market price reflects a market assumption that the Arrangement will be completed and for other reasons. See "Market Prices and Trading Volumes of Lithium One Common Shares and Galaxy Shares". If the Arrangement is not completed and the Lithium One Board decides to seek another merger or business combination, there can be no assurance that it will be able to find a party willing to pay consideration for the Lithium One Common Shares that is an equivalent or more attractive than the consideration to be paid pursuant to the Arrangement.

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The Arrangement Agreement may be terminated by Galaxy on certain conditions in the event of a change having a Materially Adverse effect on Lithium One.

Galaxy has the right in certain circumstances to terminate the Arrangement Agreement in the event of a change having a Materially Adverse effect on Lithium One. Although the Arrangement Agreement excludes certain events, circumstances and states of fact beyond the control of Lithium One that do not constitute a change that is Materially Adverse, there can be no assurance that a change having a Materially Adverse effect on Lithium One will not occur prior to the Effective Date, in which case Galaxy could elect to terminate the Arrangement Agreement and the Arrangement would not proceed. See "The Arrangement Agreement — Termination".

Galaxy and Lithium One may not integrate successfully.

The Arrangement will involve the integration of companies that previously operated independently. As a result, the combination will present challenges to management, including the integration of the operations, systems and personnel of the two companies, and special risks, including possible unanticipated liabilities, unanticipated costs, diversion of management's attention and the loss of key employees.

The difficulties Galaxy's management encounters in the transition and integration processes could have an adverse effect on the revenues, level of expenses and operating results of the combined company. As a result of these factors, it is possible that the benefits expected from the combination will not be realized and the value of the Galaxy Shares may decrease.

Uncertainty surrounding the Arrangement could adversely affect Lithium One's retention of strategic partners and personnel and could negatively impact Lithium One's future business and operations.

Because the Arrangement is dependent upon satisfaction of certain conditions, its completion is subject to uncertainty. In response to this uncertainty, Lithium One's strategic partners may delay or defer decisions concerning Lithium One. Any delay or deferral of those decisions by strategic partners could have a material adverse effect on the business and operations of Lithium One, regardless of whether the Arrangement is ultimately completed. Similarly, current and prospective employees of Lithium One may experience uncertainty about their future roles with Galaxy until Galaxy's strategies with respect to Lithium One are announced and executed. This may adversely affect Lithium One's ability to attract or retain key management in the period until the Arrangement is completed.

The Termination Fee provided under the Arrangement Agreement may discourage other parties from attempting to acquire Lithium One.

Under the Arrangement Agreement, Lithium One would be required to pay a Termination Fee of $3,000,000 in the event the Arrangement Agreement is terminated in certain circumstances. This Termination Fee may discourage other parties from attempting to acquire Lithium One Common Shares, even if those parties would otherwise be willing to offer greater value to Lithium One Shareholders than offered by Galaxy under the Arrangement.

In certain circumstances, if the Arrangement Agreement is terminated without any payment of the Termination Fee, Lithium One may be required to reimburse Galaxy for expenses.

If Galaxy exercises its rights of termination as a result of a breach or failure on the part of Lithium One to perform any of the non-solicitation covenants in the Arrangement Agreement (provided that neither Galaxy nor Canco is in breach of or has failed to perform any of its representations, warranties, covenants or agreements set forth in the Arrangement Agreement, where such breach or failure would render Galaxy and Canco incapable of consummating the transactions contemplated by the Arrangement Agreement) Lithium One must pay Galaxy's reasonable and documented out-of-pocket expenses incurred in connection with the Arrangement Agreement (excluding any fees of financial advisors) to a maximum of $750,000. See "The Arrangement Agreement — Termination Fee and Reimbursement of Expenses".

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Even if the Arrangement Agreement is terminated without payment of the Termination Fee, Lithium One may, in future, be required to pay the Termination Fee in certain circumstances.

Under the Arrangement Agreement, Lithium One must pay an amount equal to the Termination Fee to Galaxy in certain circumstances if: (a) neither Galaxy nor Canco is in breach of or has failed to perform any of its representations, warranties, covenants or agreements set forth in the Arrangement Agreement, where such breach or failure would render Galaxy and Canco incapable of consummating the transactions contemplated by the Arrangement, (b) either Lithium One or Galaxy terminates the Arrangement Agreement as a result of Galaxy Securityholders not casting (or not causing to be cast) sufficient votes at the meeting to permit completion of the Arrangement, and (c) prior to the time of the meeting, a bona fide written Acquisition Proposal involving the acquisition of a majority of shares or assets of Lithium One was publicly announced and was not withdrawn, and at any time within the six months after the date of termination of the Arrangement Agreement, Lithium One approves, recommends, accepts, enters into any agreement, undertaking or arrangement in respect of, or consummates such an Acquisition Proposal, then Lithium One must pay (or cause to be paid) to Galaxy an additional cash amount equal to the difference between the Termination Fee and the Expenses. Accordingly, if the Arrangement is not consummated and the Arrangement Agreement is terminated, Lithium One may not be able to consummate another Acquisition Proposal that would otherwise provide greater value to Lithium One Shareholders without paying the Termination Fee. See "The Arrangement Agreement – Termination Fee and Reimbursement of Expenses".

The Arrangement will be a taxable transaction for U.S. federal income tax purposes.

The exchange of Lithium One Common Shares for Galaxy Shares pursuant to the Arrangement will be a taxable transaction for U.S. federal income tax purposes despite the fact that no cash will be received by Lithium One Shareholders in such exchange. U.S. Holders should consult their own tax advisors regarding the U.S. federal income tax consequences of the Arrangement that are applicable to them. See "Certain United States Federal Income Tax Considerations" for more information.

The sale of Galaxy Shares under the Share Sale Facility will be at the market price and subject to exchange rate risk.

Galaxy Shares that will be sold under the Share Sale Facility, will be sold at the market price and sale proceeds will, in the case of Facility Participants located in Canada or the United States, be converted at a foreign exchange rate from $AUD into $CAD or $USD, as applicable, which is not fixed. The price at which the Galaxy Shares are sold will be the market price at the time of the actual sale of such Galaxy Shares and may be less than the market price of Galaxy Shares at the time that you make a Facility Election to participate or that any sale takes place. The market price of Galaxy Shares is subject to change from time to time and there may be a substantial delay between your decision to participate in the Share Sale Facility and the time that your Galaxy Shares are sold. During that time the market price of Galaxy Shares may change.

INFORMATION RELATING TO LITHIUM ONE

Description of Business

Lithium One is a Canadian-based resource company whose focus is to explore and develop lithium deposits throughout the world. These activities are presently conducted in Argentina and Canada, either directly or through subsidiaries. In addition, Lithium One holds investments in other corporations that engage in similar or related activities. Lithium One previously operated under the name Coniagas Resources Limited until July 14, 2009 when it filed articles of amendment with the Province of Ontario to change its name to Lithium One. Lithium One's strategy is to draw upon its quality team and employ best-practice to develop its projects into leading suppliers of low-cost, high quality lithium products to the global battery market.

Lithium One has two major lithium projects at feasibility stage with earn-in partners: the brownfields Sal de Vida lithium brine project, at Salar del Hombre Muerto in the Salta and Catamarca provinces of Argentina, partnered with Korea Resource Corporation ("KORES"), LG International Corp. ("LGI") and GS Caltex Corporation ("GS

Caltex"); and the James Bay bulk tonnage spodumene project in Québec, where Galaxy Resources is earning up to a 70% interest.

Recent Developments

Sal de Vida Lithium Brine Project, Argentina

In June 2010, Lithium One announced that it had entered into a joint venture and option agreement with KORES, Korea's government-owned mining company, establishing an earn-in joint venture with KORES to exploit lithium and potash bearing brines at Lithium One's Sal de Vida lithium brine project. On November 9, 2010, Lithium One announced the inclusion in the joint venture of LG International and GS Caltex.

On February 17, 2011, Lithium One reported the first recovery of lithium carbonate and potassium chloride from its on-site pilot-plant. The operating pilot facility represents a smaller scale simulation of a commercial evaporation process operation that has been designed to concentrate and recover lithium (for lithium carbonate production) and potassium (for muriate of potash production) from the Sal de Vida brines.

On March 7, 2011, Lithium One reported its first lithium and potassium resource statement for the Sal de Vida brine project; and on January 25, 2012 the Company reported an update to that resource. The newly released measured, indicated and inferred resource estimate, prepared by independent hydrology consulting firm E.L. Montgomery and Associates, includes 9.8 x 10^8 m^3 of brine at grades of 782 mg/l lithium and 8,653 mg/l potassium, containing 4,053,000 tonnes of lithium carbonate equivalent and 16,071,000 tonnes of potash equivalent in the measured and indicated categories. In addition, the current resource estimate includes 8.3 x 108 m3 of brine at grades of 718 mg/l lithium and 8,051 mg/l potassium, for an additional 3,180,000 tonnes of lithium carbonate equivalent and 12,762,000 tonnes of potash equivalent in the inferred category. The resource was derived from a calculation using a cutoff grade of 500 mg/l lithium. The resource estimate was prepared in accordance with the guidelines of National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101").

On October 5, 2011, Lithium One announced a Preliminary Economic Assessment ("PEA") for the Sal de Vida Project based on the initial inferred resource. The PEA outlined an operation producing 25,000 tonnes pa lithium carbonate, and 107,000 tonnes pa potash, with a 28% IRR and a US$1.066 billion NPV8, on a pre-tax basis.

James Bay Project, Québec, Canada

Lithium One reported NI 43-101 compliant mineral resources on its James Bay Project on November 18, 2010. The resource statement, prepared by SRK Consulting (Canada) Inc., included indicated resources of 11.75 million tonnes grading 1.30% Li_2O and inferred resources of 10.47 million tonnes grading 1.20% Li_2O using a cutoff grade of 0.75% Li_2O. The report indicated that the resource is likely amenable to open pit extraction and that there are opportunities to increase the grade and tonnage of the resources with additional drilling. The model and pit optimization also suggested that the grade of the resources can be increased through the better definition gained by drilling the dykes at closer spacing. In addition, the entire resource occurs in pit shells that bottom at 220 metres, which is near the limit of the existing drilling. SRK therefore also reported that there is considerable potential to increase the tonnage through further delineation of the dykes at depth.

On February 15, 2011 Lithium One signed a definitive earn-in and joint venture agreement with Galaxy, under which Galaxy can acquire up to a 70% interest in the James Bay lithium project. Under the terms of the option and joint venture agreement, Galaxy made a cash payment of C$3 million to acquire an initial 20% interest in the James Bay Project. Galaxy has the option to increase its interest in the James Bay Project to 70% through the completion of a definitive feasibility study on the project within a 24 month period, including a further investment of at least C$3 million in the 12 months following the signature of such agreement.

Technical Information for Lithium One

Information of a scientific or technical nature regarding the James Bay pegmatite project is included in this Circular based on the NI 43-101 technical report describing the indicated and inferred resource estimate dated December 30,

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2010, which was prepared by SRK Consulting (Canada) Inc., by persons independent of Lithium One and Galaxy within the meaning of NI 43-101 and "qualified persons" for the purposes of NI 43-101.

Information of a scientific or technical nature regarding the Sal de Vida brine project is included in this Circular based on the NI 43-101 technical report on the measured, indicated and inferred resource estimate dated March 7, 2012, which was prepared by E.L. Montgomery and Associates, and the Preliminary Economic Assessment dated November 18, 2011, which was prepared by ARA Worley Parsons, by persons independent of Lithium One and Galaxy within the meaning of NI 43-101 and "qualified persons" for the purposes of NI 43-101.

Description of Capital Structure

Lithium One is authorized to issue an unlimited number of Lithium One Common Shares, without par value. As at the date hereof, 70,359,243 Lithium One Common Shares were issued and outstanding. Each Lithium One Common Share entitles the holder thereof to one vote at all meetings of Shareholders. In addition, as of the date hereof, there were 4,575,000 Lithium One Options, each Lithium One Option being exercisable for one Lithium One Share, and Lithium One Notes in the aggregate principal amount of $5,000,000. There are no limitations contained in the constating documents of Lithium One on the ability of a person who is not a Canadian resident to hold Lithium One Common Shares or exercise the voting rights associated with Lithium One Common Shares.

Dividends

The holders of Lithium One Common Shares, subject to the prior rights, if any, of the holders of any other class of shares of Lithium One, are entitled to receive such dividends in any financial year as the board of directors of Lithium One may determine. The OBCA provides that a corporation may not declare or pay a dividend if there are reasonable grounds for believing that the corporation is or would, after the payment of the dividend, be unable to pay its debts as they become due in the ordinary course of its business.

Previous Distribution

During the 12 month period preceding the date of this Circular, Lithium One issued an aggregate of 10,221,239 Lithium One Common Shares as follows:

Date of Distribution	Description of Transaction	Aggregate Number of Lithium One Common Shares Issued	Price Per Lithium One Common Share	Aggregate Proceeds
June 14, 2011	Exercise of options	500,000	$1.35	$675,000
July 12, 2011	Exercise of options	150,000	$1.07	$160,500
February 24, 2012	Private placement	9,318,810	$1.05	$9,784,750
February 24, 2012	Finders' fee	227,429	-	-
February 27, 2012	Exercise of options	25,000	$1.02	$25,500

MARKET PRICES AND TRADING VOLUMES OF LITHIUM ONE COMMON SHARES AND GALAXY SHARES

Trading Price and Volume of Lithium One Common Shares

The outstanding Lithium One Common Shares are listed for trading on the TSX-V under the symbol "**LI**".

The following table sets forth, for the calendar periods indicated, the high and low prices at the close of market and composite volume of trading of the Lithium One Common Shares as reported on the TSX-V, according to Bloomberg.

	TSX-V
	Price Range (C$)

	High	Low	Volume
2011			
May	1.80	1.33	5,508,991
June	1.56	1.33	2,252,246
July	1.34	1.19	1,921,272
August	1.14	0.87	4,143,948
September	1.08	0.77	1,500,133
October	1.06	0.78	3,295,553
November	1.02	0.85	1,082,630
December	1.01	0.85	1,450,920
2012			
January	1.14	0.86	1,473,581
February	1.38	1.11	3,339,444
March	1.33	1.05	4,553,338
April	1.37	1.18	6,348,362
May (up to May 10)	1.27	1.04	1,252,444

Trading Price and Volume of Galaxy Shares

The outstanding Galaxy Shares are listed for trading on the ASX under the symbol "**GXY**".

The following table sets forth, for the calendar periods indicated, the high and low prices at the close of market and composite volume of trading of the Galaxy Shares as reported on the ASX, according to Bloomberg.

	ASX		
	Price Range (A$)		
	High	Low	Volume
2011			
May	1.120	0.855	42,027,883
June	0.890	0.705	40,551,682
July	0.785	0.660	33,502,330
August	0.760	0.605	34,494,808
September	0.870	0.580	25,548,574
October	0.685	0.590	15,467,171
November	0.960	0.630	47,784,522
December	0.950	0.695	14,944,363
2012			
January	0.905	0.725	10,095,648
February	0.870	0.770	7,217,356
March	1.005	0.770	23,318,971
April	0.760	0.685	26,557,145
May (up to May 10)	0.690	0.620	8,901,749

EFFECT OF THE ARRANGEMENT ON MARKETS AND LISTINGS

If the Arrangement is completed, the Lithium One Common Shares will be de-listed from the TSX-V and Lithium One will apply to cease to be a reporting issuer (or the equivalent). Galaxy Shares will remain listed on the ASX. There will be no listing of the Exchangeable Shares.

RIGHTS OF DISSENTING LITHIUM ONE SHAREHOLDERS

The Interim Order expressly provides registered holders of Lithium One Common Shares with the right to dissent with respect to the Arrangement. As a result, any Dissenting Lithium One Shareholder is entitled to be paid the fair value (determined as of the Exchange Time) of all, but not less than all, of the shares of the same class beneficially

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held by it in accordance with Section 185 of the OBCA, if the shareholder dissents with respect to the Arrangement and the Arrangement becomes effective. **It is a condition to completion of the Arrangement in favour of Galaxy and Canco that there shall not have been delivered and not withdrawn notices of dissent with respect to the Arrangement in respect of more than 5% of the Lithium One Common Shares.**

Section 185 of the OBCA provides that a shareholder may only make a claim under that section with respect to all of the shares of a class held by the shareholder on behalf of any one beneficial owner and registered in the shareholder's name. One consequence of this provision is that a registered Lithium One Shareholder may only exercise the dissent rights under Section 185 of the OBCA (as modified by the Plan of Arrangement and the Interim Order) in respect of Lithium One Common Shares that are registered in that Lithium One Shareholder's name.

In many cases, Lithium One Common Shares beneficially owned by a holder (a "Non-Registered Holder") are registered either (a) in the name of an intermediary ("Intermediary") that the Non-Registered Holder deals with in respect of such shares, such as, among others, banks, trust companies, securities brokers, trustees and other similar entities, or (b) in the name of a depository, such as CDS, of which the Intermediary is a participant. Accordingly, a Non-Registered Holder will not be entitled to exercise his or her rights of dissent directly (unless the shares are re-registered in the Non-Registered Holder's name). A Non-Registered Holder who wishes to exercise rights of dissent should immediately contact the Intermediary with whom the Non-Registered Holder deals in respect of its Lithium One Common Shares and either (i) instruct the Intermediary to exercise the rights of dissent on the Non-Registered Holder's behalf (which, if the Lithium One Common Shares are registered in the name of CDS or any other clearing agency, may require that such Lithium One Common Shares first be re-registered in the name of the Intermediary), or (ii) instruct the Intermediary to re-register such Lithium One Common Shares in the name of the Non-Registered Holder, in which case the Non-Registered Holder would have to exercise the rights of dissent directly.

The execution or exercise of a proxy does not constitute a written objection for purposes of the right to dissent under the OBCA.

The following summary does not purport to provide comprehensive statements of the procedures to be followed by a Lithium One Shareholder seeking to exercise dissent rights with respect to the Arrangement Resolutions as provided in the Interim Order. Section 185 of the OBCA, which will be relevant to any dissent proceedings is set forth in its entirety in Appendix I.

The Interim Order and the OBCA require adherence to the procedures established therein and failure to adhere to such procedures may result in the loss of all rights of dissent. Accordingly, each Lithium One Shareholder who might desire to exercise rights of dissent should carefully consider and comply with the provisions of Section 185 of the OBCA, as modified by the Interim Order, and consult its legal advisors.

Notwithstanding subsection 185(6) of the OBCA (pursuant to which a dissent notice may be provided at or prior to the Meeting), a Dissenting Lithium One Shareholder who seeks payment of the fair value of its Lithium One Common Shares is required to deliver a written objection to the Arrangement Resolution to Lithium One by 4:30 pm (Toronto time) on the business day preceding the Meeting (or, if the Meeting is postponed or adjourned, the business day preceding the date of the reconvened or postponed Meeting). Lithium One's address for such purpose is 130 Adelaide Street West, Suite 1010, Toronto, Ontario M5H 3P5. A vote against the Arrangement Resolution or a withholding of votes does not constitute a written objection. Within 10 days after the Arrangement Resolution is approved by the Lithium One Securityholders, Lithium One must so notify the Dissenting Lithium One Shareholder (unless such shareholder voted for the Arrangement Resolution or has withdrawn its objection) who is then required, within 20 days after receipt of such notice (or, if such Lithium One Shareholder does not receive such notice, within 20 days after learning of the approval of the Arrangement Resolution), to send to Lithium One a written notice containing its name and address, the number and class of shares in respect of which the Lithium One Shareholder dissents and a demand for payment of the fair value of such shares and, within 30 days after sending such written notice, to send to Lithium One or its transfer agent the appropriate share certificate or certificates.

A Dissenting Lithium One Shareholder who fails to send to Lithium One, within the appropriate time frame, a dissent notice, demand for payment and certificates representing the shares in respect of which the shareholder dissents forfeits the right to make a claim under Section 185 of the OBCA as modified by the Interim Order. The

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transfer agent of Lithium One will endorse on the share certificates received from a Dissenting Lithium One Shareholder a notice that the holder is a Dissenting Lithium One Shareholder and will forthwith return the certificates to the Dissenting Lithium One Shareholder.

On sending a demand for payment to Lithium One, a Dissenting Lithium One Shareholder ceases to have any rights as a Lithium One Shareholder other than the right to be paid the fair value of such holder's Lithium One Common Shares, notwithstanding anything to the contrary contained in Section 185 of the OBCA, which fair value shall be determined as of the Exchange Time, except where:

(a) the Dissenting Lithium One Shareholder withdraws the demand for payment before Lithium One makes an offer to the Dissenting Lithium One Shareholder pursuant to the OBCA,

(b) Lithium One fails to make an offer as hereinafter described and the Dissenting Lithium One Shareholder withdraws the demand for payment, or

(c) the proposal contemplated in the Arrangement Resolution does not proceed,

in which case the rights as a Lithium One Shareholder will be reinstated as of the date the Dissenting Lithium One Shareholder sent the demand for payment.

Lithium One Shareholders who duly exercise their dissent rights and who:

(a) ultimately are determined to be entitled to be paid fair value for their Lithium One Common Shares, which fair value, notwithstanding anything to the contrary contained in Section 185 of the OBCA, shall be determined as of the Exchange Time, shall be deemed to have transferred those Lithium One Common Shares as of the Exchange Time at the fair value of the Lithium One Common Shares determined as of the Exchange Time, without any further act or formality and free and clear of all liens and claims, to Canco; or

(b) ultimately are determined not to be entitled, for any reason, to be paid fair value for their Lithium One Common Shares, shall be deemed to have participated in the Arrangement on the same basis as a holder of Lithium One Common Shares who has not exercised dissent rights and shall be deemed to have elected to receive, and shall receive, the consideration provided in Section 2.3(d) of the Plan of Arrangement,

but, for greater certainty, in no case shall Lithium One, Canco, Galaxy or the Depositary be required to recognize Dissenting Lithium One Shareholders as Lithium One Shareholders at and after the Exchange Time, and the names of Dissenting Lithium One Shareholders shall be deleted from the register of Lithium One Shareholders as of the Exchange Time.

If the Plan of Arrangement becomes effective, Lithium One will be required to send, not later than the seventh day after the later of (i) the Effective Date or (ii) the day the demand for payment is received, to each Dissenting Lithium One Shareholder whose demand for payment has been received, a written offer to pay for such Dissenting Lithium One Shareholder's shares such amount as the Lithium One Board considers fair value thereof accompanied by a statement showing how the fair value was determined.

Lithium One must pay for the shares of a Dissenting Lithium One Shareholder within ten days after an offer made as described above has been accepted by a Dissenting Lithium One Shareholder, but any such offer lapses if Lithium One does not receive an acceptance thereof within 30 days after such offer has been made.

If such offer is not made or accepted, Lithium One may, within 50 days after the Effective Date or within such further period as a court may allow, apply to a court of competent jurisdiction to fix the fair value of such shares. There is no obligation of Lithium One to apply to the court. If Lithium One fails to make such an application, a Dissenting Lithium One Shareholder has the right to so apply within a further 20 days. A Dissenting Lithium One Shareholder is not required to give security for costs in such an application.

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Upon an application to a court, all Dissenting Lithium One Shareholders whose Lithium One Common Shares have not been purchased by Lithium One will be joined as parties and be bound by the decision of the court, and Lithium One will be required to notify each Dissenting Lithium One Shareholder of the date, place and consequences of the application and of the right to appear and be heard in person or by counsel. Upon any such application to a court, the court may determine whether any person is a Dissenting Lithium One Shareholder who should be joined as a party, and the court will then fix a fair value for the shares of all Dissenting Lithium One Shareholders who have not accepted an offer to pay. The final order of a court will be rendered against Lithium One in favour of each Dissenting Lithium One Shareholder and for the amount of the Dissenting Lithium One Shareholder's shares as fixed by the court. The court may, in its discretion, allow a reasonable rate of interest on the amount payable to each such Dissenting Lithium One Shareholder from the Effective Date until the date of payment.

Registered Lithium One Shareholders who are considering exercising dissent rights should be aware that there can be no assurance that the fair value of their Lithium One Common Shares as determined under the applicable provisions of the OBCA (as modified by the Plan of Arrangement and the Interim Order) will be more than or equal to the consideration offered under the Arrangement. In addition, any judicial determination of fair value will result in delay of receipt by a Dissenting Lithium One Shareholder of consideration for such shareholder's Lithium One Common Shares.

Under the OBCA, the Court may make any order in respect of the Arrangement it thinks fit, including a Final Order that amends the dissent rights as provided for in the Plan of Arrangement and the Interim Order. In any case, it is not anticipated that additional Lithium One Securityholder approval would be sought for any such variation.

The foregoing summary does not purport to provide a comprehensive statement of the procedures to be followed by a Dissenting Lithium One Shareholder who seeks payment of fair value of the Dissenting Lithium One Shareholder's Lithium One Common Shares. Section 185 of the OBCA (as modified by the Plan of Arrangement and the Interim Order) requires strict adherence to the procedures established therein and failure to do so may result in a loss of a Dissenting Lithium One Shareholder's dissent rights. Accordingly, each Dissenting Lithium One Shareholder who desires to exercise dissent rights should carefully consider and comply with the provisions of that section, the full text of which is set out in Appendix I to this Circular, as modified by the Plan of Arrangement and the Interim Order, or should consult with such Dissenting Lithium One Shareholder's legal advisor.

LEGAL MATTERS

Legal matters in relation to the Arrangement will be reviewed and passed upon by Blake, Cassels and Graydon LLP, on behalf of Lithium One and by Fasken Martineau DuMoulin LLP and Allion Legal Pty Ltd. on behalf of Galaxy. As at the date of this Circular, partners and associates of each of the aforementioned entities own beneficially, directly or indirectly, less than 1% of the outstanding securities of Lithium One, Galaxy and their respective associates and affiliates, with the exception of Craig Readhead, the Chairman of the Galaxy Board and a Principal of Allion Legal Pty Ltd who beneficially owns 1.94% of the issued and outstanding Galaxy Shares on a fully diluted basis as of the date hereof.

OWNERSHIP OF SECURITIES OF LITHIUM ONE AND PRINCIPAL HOLDERS THEREOF

The authorized share capital of Lithium One consists of an unlimited number of Lithium One Common Shares. As of the date hereof, 70,359,243 Lithium One Common Shares were issued and outstanding. Each Lithium One Common Share entitles the holder thereof to one vote at all meetings of Shareholders. In addition, as of the date hereof, there were 4,575,000 Lithium One Options, each Lithium One Option being exercisable for one Lithium One Share, and Lithium One Notes in the aggregate principal amount of $5,000,000. At the Meeting, each Lithium One Option entitles the holder thereof to one vote at the Meeting solely with respect to the special resolution included in the Arrangement Resolution that is to be voted on by the Lithium One Shareholders and Lithium One Optionholders voting together as a single class. At the Meeting, the Lithium One Noteholders will entitled to vote solely with respect to the special resolution included in the Arrangement Resolution that is to be voted on by the Lithium One Noteholders voting together as a single class, with each Lithium One Noteholder entitled to such number of votes at

the Meeting as applicable, with reference to the aggregate principal amount of each such Lithium One Noteholder's Lithium One Note.

The Lithium One Board has fixed the close of business on May 8, 2012 as the record date for the purpose of determining the Lithium One Securityholders entitled to receive notice of the Meeting, but the failure of any Lithium One Securityholder who was a Lithium One Securityholder on the record date to receive notice of the Meeting does not deprive such Lithium One Securityholder of the right to vote at the Meeting.

Other than as set out below, to the knowledge of Lithium One and its directors and officers, no person or corporation beneficially owns, directly or indirectly, or exercises control or direction over Lithium One Common Shares representing more than 10% of the issued and outstanding Lithium One Common Shares as of the date hereof.

The names of the directors and officers of Lithium One, the positions held by them with Lithium One and the designation, percentage of class and number of outstanding securities of Lithium One beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them and, where known after reasonable enquiry, by their respective associates, are as follows:

		Securities of Lithium One Beneficially Owned, Directly or Indirectly[1]			
Name	**Position with Lithium One**	**Lithium One Common Shares**	**% Lithium One Common Shares Outstanding[2]**	**Lithium One Options**	**% Lithium One Options Outstanding**
Maurice Colson	Director	600,000	0.85%	150,000	3.28%
Patrick Highsmith	Director and President	50,000	0.07%	850,000	18.58%
Rebecca Hudson	CFO	60,000	0.09%	50,000	1.09%
Paul Matysek	Director and CEO	4,166,300	5.95%	1,150,000	25.14%
Jeff Pontius	Director	700,000	0.99%	225,000	4.92%
Darren Pylot	Director	407,692	0.58%	225,000	4.92%
Martin Rowley	Director	982,000	1.40%	925,000	20.22%
Iain Scarr	VP, Development	-	-	325,000	7.10%

Other than as disclosed in the table above, to the knowledge of the directors and officers of Lithium One, after reasonable enquiry, no associate or affiliate of Lithium One, nor any insider of Lithium One (other than a director or officer of Lithium One as disclosed above), nor any associate or affiliate of an insider of Lithium One, nor any person or company acting jointly or in concert with Lithium One beneficially owns or exercises control or direction over any Lithium One Common Shares as of the date of this Circular.

GENERAL INFORMATION CONCERNING THE MEETING AND VOTING

Time, Date and Place

The Meeting will be held at Suite 2600 – 595 Burrard Street, Vancouver, British Columbia, V7X 1L3 on June 18, 2012 at 10:00 a.m. (Vancouver time).

Solicitation of Proxies

This Circular is provided in connection with the solicitation by the management of Lithium One of proxies to be used at the Meeting. The solicitation of proxies will be primarily by mail but proxies may be solicited personally or by telephone by directors, officers or regular employees of Lithium One.

Appointment of Proxyholder

The persons named in the enclosed form of proxy are directors or officers of Lithium One. A holder of Lithium One Securityholder has the right to appoint as his or her proxyholder a person (who need not be a

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Lithium One Securityholder) to attend and to act on his, her or its behalf at the Meeting other than the persons designated in the form of proxy accompanying this Circular. A Lithium One Securityholder may do so by inserting the name of such other person in the blank space provided in the applicable proxy or by completing another proper form of proxy and, in either case, by delivering the completed proxy to Lithium One's registrar and transfer agent, Equity Financial Trust Company. For postal delivery, the completed proxy should be mailed by using the envelope as provided. To deliver by facsimile, please send the proxy to the Proxy Department of Equity Financial Trust Company at (416) 595-9593. The completed proxy may also be delivered in person to Equity Financial Trust Company at 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1. Proxies delivered to Equity Financial Trust Company must be received by not later than 10:00 a.m. (Vancouver time) on June 15, 2012, or if the Meeting is adjourned or postponed, prior to 10:00 a.m. (Vancouver time) on the day (other than a Saturday, Sunday or any other holiday in Toronto, Ontario) preceding the date to which the Meeting is adjourned or postponed.

A Lithium One Securityholder should use the applicable enclosed form of proxy.

Revocation of Proxy

A Lithium One Securityholder executing the enclosed form of proxy has the right to revoke it under subsection 110(4) of the OBCA. A Lithium One Securityholder may revoke a proxy by depositing an instrument in writing executed by him, her, or it or by his, hers or its attorney authorized in writing, at the registered office of Lithium One at any time up to and including the last day (other than a Saturday, Sunday or any other holiday in Toronto, Ontario) preceding the day of the Meeting, or any adjournment or postponement thereof, at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting, or any adjournment or postponement thereof, or in any other manner permitted by law.

Exercise of Proxy

The Lithium One Common Shares, Lithium One Options and/or the Lithium One Notes represented by the proxy will be voted for or against in accordance with the instructions of the Lithium One Securityholder on any vote that may be called for and, if the Lithium One Securityholder specifies a choice with respect to any matter to be acted upon at the Meeting, Lithium One Common Shares, Lithium One Options and/or Lithium One Notes represented by properly executed proxies will be voted accordingly.

In the absence of any instructions to the contrary, the Lithium One Common Shares represented by proxies received by management will be voted FOR the approval of the Arrangement Resolution as described in this Circular.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to the matter identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting or any adjournments thereof. At the date of this Circular, management of Lithium One knows of no such amendments, variations or other matters to come before the Meeting other than the matter referred to in the Notice of Meeting. If any other matters do properly come before the Meeting, it is intended that the person appointed as proxy shall vote on such other business in such manner as that person then considers to be proper.

Explanation of Voting Rights for Beneficial Owners of Lithium One Common Shares

Only registered Lithium One Shareholders or the persons they designate as their proxies are authorized to attend and vote at the Meeting. However, in many cases, the Lithium One Common Shares that are beneficially owned by a non-registered Lithium One Shareholder are registered either:

(a) in the name of an intermediary with whom the non-registered Lithium One Shareholder deals with respect to his or her shares, such as a bank, trust corporation, stockbroker, or trustee or manager of a registered retirement savings plan, registered retirement savings fund, registered education savings plan or similar self-administered plan; or

(b) in the name of a clearing agency (such as CDS Clearing and Depository Services), of which the intermediary is a member.

In accordance with the requirements of NI 54-101, Lithium One sent copies of the Notice of Special Meeting, this Circular, the letter of transmittal and election form and the proxy form (collectively, the "documents related to the Meeting") to the clearing agencies and intermediaries who were thereafter required to send them to non-registered Lithium One Shareholders.

The intermediaries are required to send the documents related to the Meeting to non-registered Lithium One Shareholders unless any such non-registered Lithium One Shareholder has waived the right to receive them. The intermediaries very often delegate this duty to companies which will send the documents related to the Meeting to non-registered Lithium One Shareholders. As a rule, non-registered Lithium One Shareholders who have not waived their right to receive documents related to the Meeting will:

(a) be provided with a proxy form that has already been signed by the intermediary (typically, the form is sent by fax with the intermediary's signature stamped on it), which only pertains to the number of Lithium One Common Shares beneficially held by the non-registered Lithium One Shareholder, who must fill in the blank sections therein. This proxy form is not required to be signed by the non-registered Lithium One Shareholder. In such a case, the non-registered Lithium One Shareholder who wishes to submit a proxy form should fill it out properly and file it with Equity Financial Trust Company at 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1; or

(b) more typically, be provided with a voting instruction form that they are required to fill out and sign in accordance with the instructions contained therein (such a voting instruction form may, in some cases, be completed by telephone).

The purpose of these procedures is to enable non-registered Lithium One Shareholders to control the way in which the voting rights attached to the Lithium One Common Shares they beneficially own are exercised. If a non-registered Lithium One Shareholder who receives either a proxy form, a proxy or a voting instruction form wishes to attend and vote in person at the Meeting, or wishes that another person attend and vote on his or her behalf, the non-registered Lithium One Shareholder should strike out the names of the persons indicated in the proxy and replace them with his, her or its own name (or other corresponding instructions) on the form. In either case, **non-registered Lithium One Shareholders should carefully follow the directions given by their intermediaries, including as to when and where the proxy or proxy form should be delivered, as well as the directions issued by the companies which sent them the proxy or the proxy form.**

Non-registered Lithium One Shareholders who wish to exercise the voting rights attached to their Lithium One Common Shares in person at the Meeting are required to insert their own name in the space provided for such purpose in the form requesting voting instructions or the proxy form, as the case may be, to appoint themselves as proxies and should follow the directions which were provided by their brokers as to how to sign and return these documents. Non-registered Lithium One Shareholders who appoint themselves as proxies are required to report to a Equity Financial Trust Company representative at the Meeting.

Quorum

A quorum at meetings of Lithium One Shareholders consists of two persons present in person, each being a shareholder entitled to vote thereat, or a duly appointed proxyholder or representative for a shareholder so entitled, irrespective of the number of shares held by such persons.

AUDITOR OF LITHIUM ONE

Lithium One's auditor is Ernst & Young LLP, and was appointed as auditor for Lithium One in June 2011.

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ADDITIONAL INFORMATION

Additional information relating to Lithium One is filed with Canadian securities administrators. This information can be accessed through the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. Financial information is provided in Lithium One's audited comparative consolidated financial statements and Management's Discussion and Analysis ("MD&A") for the year ended December 31, 2011 and such information is available on SEDAR at www.sedar.com and www.sec.gov and will be sent free of charge to any Lithium One Shareholder upon written request.

APPROVAL OF BOARD

The contents and the sending of this Circular have been approved by the Lithium One Board.

DATED at Toronto, Ontario this 11th day of May, 2012.

BY ORDER OF THE BOARD OF DIRECTORS

(s) Paul F. Matysek

Paul F. Matysek
Chief Executive Officer and Director

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CONSENT OF GALAXY RESOURCES LIMITED'S AUDITORS

To the Board of Directors of Lithium One

We have read the Notice of Special Meeting and Management Proxy Circular (the "Circular") of Lithium One Inc. dated May 11th, 2012 relating to the arrangement involving the acquisition by Galaxy Lithium One Inc, a wholly owned subsidiary of Galaxy Resources Limited (the "Entity") to purchase all of the issued and outstanding ordinary shares of Lithium One Inc. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference, in the above-mentioned Circular of our report to the board of directors of the Entity on the consolidated financial statements of the Entity, which comprise the consolidated statements of financial position as at December 31, 2011 and December 31, 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, the six month period ended December 31, 2009, the year ended June 30, 2009, and notes, comprising a summary of significant accounting policies and other explanatory information. Our report is dated May 11th, 2012.

KPMG

KPMG

Perth, Australia

11th May 2012

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CONSENT OF BMO CAPITAL MARKETS

To: The Board of Directors of Lithium One:

We hereby consent to the reference of the opinions of this firm under "Questions and Answers About the Meeting and the Arrangement", "Summary of Circular—Fairness Opinions", "Summary of Circular—Reasons for the Recommendation of the Lithium One Board", "The Arrangement — Fairness Opinion" and "The Arrangement — Recommendation of the Lithium One Board", the inclusion of this firm's opinions dated March 29, 2012 and April 18, 2012 as Appendix H and Appendix I, respectively, to the Circular and in being named in the Circular dated May 11, 2012.

(signed) Sarfraz Visram

Sarfraz Visram
Managing Director
BMO Capital Markets

May 11, 2012

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APPENDIX A
GLOSSARY OF DEFINED TERMS

The following terms used in this Circular, including without limitation the Notice of Special Meeting of Lithium One Securityholders, have the meanings set forth below:

"**1933 Act**" means the United States Securities Act of 1933, as amended.

"**Acquisition Financing**" means the public offering of Galaxy Shares, the result of which was announced to the market on April 12, 2012.

"**Acquisition Proposal**" means, other than the transactions contemplated in the Arrangement Agreement, any proposal or offer with respect to any transaction (by purchase, merger, amalgamation, arrangement, business combination, liquidation, dissolution, recapitalization, take-over bid or otherwise) made after the date of the Arrangement Agreement relating to: (i) any acquisition, sale, lease, long-term supply agreement or other arrangement having the same economic effect as a sale, direct or indirect, of: (a) the assets of Lithium One or Galaxy and/or one or more of their subsidiaries that, individually or in the aggregate, constitute 20% or more of the fair market value of the consolidated assets of either of Lithium One and its subsidiaries or Galaxy and its subsidiaries taken as a whole, as applicable; or (b) 20% or more of any voting or equity securities of Lithium One or Galaxy or any of their subsidiaries whose assets, individually or in the aggregate, constitute 20% or more of the fair market value of the consolidated assets of either of Lithium One and its subsidiaries or Galaxy and its subsidiaries taken as a whole, as applicable; (ii) any take-over bid, tender offer or exchange offer for any class of voting or equity securities of Lithium One or Galaxy; or (iii) a plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or other similar transaction involving Lithium One or Galaxy or any of their subsidiaries whose assets, individually or in the aggregate, constitute 20% or more of the fair market value of the consolidated assets of either of Lithium One and its subsidiaries or Galaxy and its subsidiaries taken as a whole, as applicable.

"**Agency**" means any domestic or foreign court, tribunal, federal, state, provincial or local government or governmental agency, department or authority or other regulatory authority (including the TSX-V and ASX) or administrative agency or commission (including the Securities Commissions and the Australian Securities & Investments Commission) or any elected or appointed public official.

"**Alternative Transaction**" means any Acquisition Proposal or other transaction that would reasonably be expected to reduce the likelihood of the successful completion of any of the Transactions.

"**Ancillary Rights**" means the interest of a holder of Exchangeable Shares as a beneficiary of the trust created under the Voting and Exchange Trust Agreement.

"**April Fairness Opinion**" means the fairness opinion of BMO Capital Markets provided to the Lithium One Board with respect to the Arrangement dated April 18, 2012, a copy of which is attached as Appendix I to this Circular.

"**Arrangement**" means the arrangement involving Galaxy and Lithium One under the provisions of Section 182 of the OBCA on the terms and conditions set forth in the Plan of Arrangement, subject to any amendments or variations thereto made in accordance with the Arrangement Agreement or made at the direction of the Court, resulting, inter alia, in the acquisition by Canco of all of the outstanding Lithium One Common Shares.

"**Arrangement Agreement**" means the arrangement agreement made as of March 29, 2012, among Galaxy, Canco and Lithium One as amended on May 4, 2012 One, a copy of which is attached as Appendix E to this Circular.

"**Arrangement Resolution**" means the special resolution approving the Arrangement in the form attached as Appendix D to this Circular which, to be effective, must be approved by (i) at least two-thirds of the votes cast at the Meeting by Lithium One Shareholders in person or by proxy, voting as a single class, (ii) at least two-thirds of the votes cast at the Meeting by Lithium One Shareholders and Lithium One Optionholders in person or by proxy, voting together as a single class, (iii) at least two-thirds of the votes cast at the Meeting by Lithium One Noteholders

in person or by proxy, voting as a single class, and (iv) the simple majority of the votes cast by the Minority Shareholders.

"**Articles of Arrangement**" means the articles of arrangement of Lithium One to be filed with the OBCA Director in connection with the Arrangement.

"**ASIC**" means the Australian Securities and Investments Commission.

"**ASX**" means the Australian Securities Exchange or any successor exchange.

"**Bondholders**" means holders of Convertible Bonds.

"**ASX Listing Rules**" means the Listing Rules of ASX and any other rules of ASX which are applicable while Galaxy is admitted to the official list of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

"**business day**" means any day other than a Saturday, Sunday, a public holiday or a day on which commercial banks are not open for business in Toronto, Ontario or Perth, Western Australia, under applicable Law.

"**Call Rights**" means collectively the rights of Callco to purchase Exchangeable Shares pursuant to the Redemption Call Right and the Liquidation Call Right and the right of Galaxy or Callco to purchase Exchangeable Shares pursuant to the Change of Law Call Right (each as defined in the Plan of Arrangement) and the right of Callco to purchase Exchangeable Shares pursuant to the Retraction Call Right (as defined in the terms of the Exchangeable Shares).

"**Callco**" means (i) Galaxy Lithium One (Québec) Inc., a corporation incorporated under the laws of the Province of Québec and a direct wholly-owned subsidiary of Galaxy, or (ii) any other direct or indirect wholly-owned subsidiary of Galaxy designated by Galaxy from time to time in replacement thereof.

"**Canadian Dollar Equivalent**" means in respect of an amount expressed in a currency other than Canadian dollars (the "**Foreign Currency Amount**") at any date the product obtained by multiplying:

(a) the Foreign Currency Amount; by

(b) the noon spot exchange rate on the business day immediately preceding such date for such foreign currency expressed in Canadian dollars as reported by the Bank of Canada or, in the event such exchange rate is not available, such spot exchange rate on the business day immediately preceding such date for such foreign currency expressed in Canadian dollars as may be mutually agreed upon by Galaxy and Lithium One to be appropriate for such purpose.

"**Canco**" means Galaxy Lithium One Inc., a corporation incorporated under the laws of the Province of Québec and a direct wholly-owned subsidiary of Galaxy, which will, among other things, issue the Exchangeable Shares pursuant to the Arrangement.

"**Canco Insolvency Event**" means (i) the institution by Canco of any proceeding to be adjudicated a bankrupt or insolvent or to be wound up, or the consent of Canco to the institution of bankruptcy, insolvency or winding-up proceedings against it, or (ii) the filing of a petition, answer or consent seeking dissolution or winding-up under any bankruptcy, insolvency or analogous laws, including the *Companies Creditors' Arrangement Act* (Canada) and the *Bankruptcy and Insolvency Act* (Canada), and the failure by Canco to contest in good faith any such proceedings commenced in respect of Canco within 30 days of becoming aware thereof, or the consent by Canco to the filing of any such petition or to the appointment of a receiver, or (iii) the making by Canco of a general assignment for the benefit of creditors, or the admission in writing by Canco of its inability to pay its debts generally as they become due, or (iv) Canco not being permitted, pursuant to solvency requirements of applicable law, to redeem any Retracted Shares.

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"**CDB**" means China Development Bank.

"**CDS**" means CDS Clearing and Depository Services Inc.

"**Certificate of Arrangement**" means the certificate of arrangement giving effect to the Arrangement to be issued by the OBCA Director pursuant to subsection 183(2) of the OBCA in respect of the Articles of Arrangement.

"**Change of Law Call Right**" shall have the meaning set out in the Plan of Arrangement attached as Schedule B to the Arrangement Agreement attached to this Circular as Appendix E.

"**Change of Law**" shall have the meaning set out in the Plan of Arrangement attached as Schedule B to the Arrangement Agreement attached to this Circular as Appendix E.

"**Change of Recommendation**" shall have the meaning set out under the heading "The Arrangement Agreement – Alternative Transactions – Permitted Actions".

"**Circular**" means this management proxy Circular of Lithium One prepared and sent to the Lithium One Securityholders in connection with the Meeting, including the Appendices attached hereto and the documents incorporated by reference herein.

"**Code**" means the United States Internal Revenue Code of 1986, as amended.

"**Commissioner**" means the Commissioner of Competition under the Competition Act.

"**Competition Act**" means the *Competition Act* (Canada), as amended.

"**Confidentiality Agreement**" means the confidentiality agreement dated December 1, 2009 between Lithium One and Galaxy.

"**Consideration Election**" means the election to be made by Lithium One Shareholders in the letter of transmittal and election form as to the consideration to which they are entitled under the Arrangement in the form of (i) Galaxy Shares, (ii) Exchangeable Shares or (iii) a combination of (i) and (ii) (provided that only Eligible Holders may elect to receive Exchangeable Shares).

"**Constitution**" means the constitution of Galaxy, as approved by Galaxy Shareholders at the General Meeting of Galaxy held on December 22, 2010.

"**Convertible Bonds**" means convertible bonds issued by Galaxy in November 2010, January 2011 and February 2011.

"**Corporations Act 2001**" means the Corporations Act 2001 (Cth) (Australia) as may be amended, modified or waived in relation to Galaxy and/or re-enacted, amended or replaced from time to time.

"**Court**" means the Ontario Superior Court of Justice (Commercial List).

"**CRA**" means the Canada Revenue Agency.

"**Creat Group**" means Creat Group Co. Ltd.

"**CRHL**" means Creat Resources Holdings Limited.

"**Current Market Price**" means, in respect of a Galaxy Share on any date, the quotient obtained by dividing (a) the aggregate of the Daily Value of Trades for each day during the period of 20 consecutive trading days ending three trading days before such date; by (b) the aggregate volume of Galaxy Shares used to calculate such Daily Value of Trades.

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"**Daily Value of Trades**" means, in respect of the Galaxy Shares on any trading day, the product of (a) the volume weighted average price of Galaxy Shares on the ASX (or, if the Galaxy Shares are not listed on the ASX, the Canadian Dollar Equivalent of the volume weighted average price of Galaxy Shares on such other stock exchange or automated quotation system on which the Galaxy Shares are listed or quoted, as the case may be, as may be selected by the board of directors of Galaxy for such purpose) on such date, as determined by Bloomberg L.P. or other reputable, third party information source selected by the board of directors of Galaxy in good faith; and (b) the aggregate volume of Galaxy Shares traded on such day on the ASX or such other stock exchange or automated quotation system and used to calculate such volume weighted average price; provided that any such selections by the board of directors of Galaxy shall be conclusive and binding.

"**Depositary**" means Equity Financial Trust Company, or any successor depositary, in its capacity as depositary for the Lithium One Common Shares under the Arrangement.

"**Dissenting Lithium One Shareholder**" means a Lithium One Shareholder that has duly and validly exercised Dissent Rights and is ultimately entitled to be paid the fair value of its Lithium One Shares in accordance with the Plan of Arrangement.

"**Dividend Amount**" means an amount equal to all declared and unpaid dividends on an Exchangeable Share held by a holder on any dividend record date which occurred prior to the date of purchase, redemption or other acquisition of such share by Callco or Galaxy from such holder.

"**Effective Date**" means the date on or before the Outside Date on which the Arrangement becomes effective in accordance with the OBCA and the Final Order.

"**Effective Time**" means 12:01 a.m. on the Effective Date.

"**Elected Amount**" has the meaning ascribed thereto under "Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders and Lithium One Noteholders — Resident in Canada — Exchange of Lithium One Common Shares for Consideration Including Exchangeable Shares and Ancillary Rights — Rollover Transaction Joint Tax Election".

"**Election Deadline**" means 4:30 p.m. (Toronto time) on June 15, 2012, being the business day immediately prior to the date of the Meeting or, if such Meeting is adjourned or postponed, such time on the business day immediately prior to the date of such adjourned or postponed Meeting.

"**Eligible Holder**" means a Lithium One Shareholder who is (i) a person who is a resident of Canada for purposes of the ITA or, in the case of a partnership, a partnership that is a "Canadian partnership" for purposes of the ITA, and (ii) not exempt from tax under Part I of the ITA or, in the case of a partnership, a partnership none of the partners of which is exempt from tax under Part I of the ITA.

"**Eligible Participant**" shall have the meaning set out under the heading "Share Sale Facility."

"**Exchangeable Elected Shares**" means Lithium One Common Shares that the holder thereof has elected in a duly completed letter of transmittal and election form deposited with the Depositary no later than the Election Deadline, to transfer to Canco under the Arrangement for consideration that includes Exchangeable Shares.

"**Exchangeable Share Consideration**" means with respect to an exchange of each Exchangeable Elected Share, 1.96 Exchangeable Shares, together with the Ancillary Rights.

"**Exchangeable Shares**" means the exchangeable shares in the capital of Canco as more particularly described in Appendix I to the Plan of Arrangement.

"**Exchangeable Share Voting Event**" means any matter in respect of which holders of Exchangeable Shares are entitled to vote as shareholders of Canco and in respect of which the board of directors of Canco determines in good

faith that after giving effect to such matter the economic equivalence of the Exchangeable Shares and the Galaxy Shares is maintained for the holders of Exchangeable Shares (other than Galaxy and its affiliates).

"**Exchange Time**" means the time at which the steps described under "The Arrangement — Description of the Arrangement" are completed.

"**Exempt Exchangeable Share Voting Event**" means an Exchangeable Share Voting Event in order to approve or disapprove, as applicable, any change to, or in the rights of the holders of, the Exchangeable Shares, where the approval or disapproval, as applicable, of such change would be required to maintain the economic equivalence of the Exchangeable Shares and the Galaxy Shares.

"**Expenses**" means reasonable and documented out-of-pocket expenses incurred in connection with the Arrangement Agreement (excluding any fees of financial advisors) to a maximum of $750,000.

"**Facility Election**" means the election to be made by Eligible Participants, to participate in the Share Sale Facility.

"**Facility Expiry Date**" means May 11, 2013.

"**Fairness Opinions**" means, together, the March Fairness Opinion and the April Fairness Opinion.

"**Final Order**" means the final order of the Court approving the Arrangement, as such order may be amended by the Court at any time prior to the Effective Time or, if appealed, then unless such appeal is withdrawn or denied, as affirmed or as amended on appeal.

"**Galaxy**" means Galaxy Resources Limited, a corporation existing under the laws of Australia.

"**Galaxy Control Transaction**" means any merger, amalgamation, arrangement, take-over bid or tender offer, material sale of shares or rights or interests therein or thereto or similar transactions involving Galaxy, or any proposal to do so.

"**Galaxy Dividend Declaration Date**" means each date on which the board of directors of Galaxy declares a dividend or other distribution on the Galaxy Shares that would require a corresponding payment to be made in respect of the Exchangeable Shares.

"**Galaxy Liquidation Event**" means (a) in the event of any determination by the board of directors of Galaxy to institute voluntary liquidation, dissolution or winding-up proceedings with respect to Galaxy or to effect any other distribution of assets of Galaxy among its shareholders for the purpose of winding up its affairs, at least 60 days prior to the proposed effective date of such liquidation, dissolution, winding-up or other distribution; and (b) as soon as practicable following the earlier of (A) receipt by Galaxy of notice of, and (B) Galaxy otherwise becoming aware of any instituted claim, suit, petition or other proceedings with respect to the involuntary liquidation, dissolution or winding-up of Galaxy or to effect any other distribution of assets of Galaxy among its shareholders for the purpose of winding up its affairs, in each case where Galaxy has failed to contest in good faith any such proceeding commenced in respect of Galaxy within 30 days of becoming aware thereof.

"**Galaxy Meeting**" means the meeting of the shareholders of Galaxy pursuant to the Corporations Act 2001 and the ASX Listing Rules.

"**Galaxy Notes**" means the convertible notes to be issued by Galaxy to the Lithium One Noteholders.

"**Galaxy Options**" means outstanding unexercised Galaxy Share purchase options.

"**Galaxy Share Consideration**" means, in respect of an exchange of a Lithium One Common Share (other than Exchangeable Elected Shares), 1.96 Galaxy Shares.

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"**Galaxy Shareholder Approval**" means all Galaxy approvals which are necessary under any applicable Law for the purpose, or in pursuance, of the Arrangement, including but not limited to approval for: (i) the issue of the Galaxy Share Consideration, the Exchangeable Share Consideration and the Galaxy Notes in accordance with the ASX Listing Rules; and (ii) the issue of the Special Voting Shares in accordance with the Corporations Act 2001 and the Constitution, to be obtained at the Galaxy Meeting by the passing of appropriate resolutions by the requisite majorities of Galaxy Shareholders, represented in person or by proxy at the Galaxy Meeting.

"**Galaxy Shareholders**" means, collectively, the holders of the Galaxy Shares.

"**Galaxy Shares**" means the ordinary shares of Galaxy.

"Galaxy Warrants" means warrants to acquire Galaxy Shares up to and including October 29, 2012.

"**IFRS**" means International Financial Reporting Standards.

"**Indicated Mineral Resource**" is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence.

"**Interim Order**" means the interim order of the Court in respect of the Arrangement dated May 9, 2012, a copy of which is attached as Appendix G to this Circular providing for, among other things, the calling and holding of the Meeting, as may be amended.

"**Investment Canada Act**" means the *Investment Canada Act*, as amended.

"**ITA**" means the *Income Tax Act* (Canada), as amended.

"**James Bay Project**" means a spodumene pegmatite deposit in James Bay, Québec, Canada.

"**Jiangsu Plant**" means Galaxy's wholly-owned lithium carbonate plant located in the Jiangsu Province of the PRC.

"**Joint Tax Election**" has the meaning ascribed thereto under "Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders and Lithium One Noteholders — Resident in Canada — Exchange of Lithium One Common Shares for Consideration Including Exchangeable Shares and Ancillary Rights — Rollover Transaction Joint Tax Election".

"**K2**" means K2 Energy Solutions.

"**Laws**" means all laws, statutes, by-laws, rules, regulations, orders, decrees, ordinances, protocols, codes, guidelines, policies, notices, directions and judgements or other requirements of any Agency.

"**Lithium-Ion Battery Project**" means the potential lithium-ion battery project located in the Jiangsu Eco-Friendly New Materials Industrial Park in Zhangjiagang, PRC.

"**Lithium One**" means Lithium One Inc., a corporation incorporated under the OBCA.

"**Lithium One Board**" means the board of directors of Lithium One.

"**Lithium One Common Shares**" means common shares in the capital of Lithium One.

"**Lithium One Entities**" means, collectively, Lithium One and its subsidiaries.

"**Lithium One Noteholders**" means, collectively, the holders of the Lithium One Notes.

"**Lithium One Notes**" means the convertible notes issued by Lithium One from time to time.

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"**Lithium One Optionholders**" means holders of Lithium One Options.

"**Lithium One Options**" means the outstanding and unexercised Lithium One share purchase options granted under the Lithium One Stock Option Plan.

"**Lithium One Securities**" means, collectively, the Lithium One Common Shares, Lithium One Options and Lithium One Notes.

"**Lithium One Securityholders**" means, collectively, the holders of Lithium One Common Shares, Lithium One Options and Lithium One Notes.

"**Lithium One Shareholders**" means the holders of Lithium One Common Shares.

"**Lithium One Stock Option Plan**" means the amended and restated stock option plan of Lithium One effective August 5, 2010, as it may be amended in accordance with the Arrangement Agreement.

"**Liquidation Amount**" means an amount per share equal to the Current Market Price of a Galaxy Share on the last business day prior to the Liquidation Date plus the Dividend Amount.

"**Liquidation Call Purchase Price**" means an amount per share equal to the Current Market Price of a Galaxy Share on the last business day prior to the Liquidation Date plus the Dividend Amount.

"**Liquidation Call Right**" shall have the meaning set out in the Plan of Arrangement.

"**Liquidation Date**" means the effective date of the liquidation, dissolution or winding-up of Canco or any other distribution of the assets of Canco among its shareholders for the purpose of winding up its affairs.

"**March Fairness Opinion**" means the fairness opinion of BMO Capital Markets provided to the Lithium One Board with respect to the Arrangement dated March 29, 2012, a copy of which is attached as Appendix H to this Circular.

"**Mark-to-Market Election**" has the meaning ascribed thereto under the heading "Certain United States Federal Income Tax Considerations".

"**Materially Adverse**" means, with respect to a person, a fact, circumstance, change, effect, occurrence, event or state of facts that, individually or in the aggregate, is or would reasonably be expected to (A) materially and adversely affect the financial condition, operations, results of operations, business, prospects, assets or capital of that person, or (B) prevent such person from performing its obligations under the Arrangement Agreement, the Transactions or any other agreement contemplated hereby or thereby; provided that, except as hereinafter set forth in this definition, no fact, circumstance, change, effect, occurrence, event or state of facts relating to any of the following, individually or in the aggregate, shall be considered Materially Adverse, solely as contemplated in (A) above, (i) any change in the trading price or trading volume of Lithium One Common Shares or Galaxy Shares, as the case may be; (ii) conditions generally affecting the mining industry as a whole; (iii) any change in the market price of Lithium; (iv) any change in generally acceptable accounting principles; (v) any change in applicable Laws; (vi) any matters disclosed in the Arrangement Agreement or concurrently delivered disclosure statements of each of Lithium One and Galaxy; (vii) any action or inaction taken by Lithium One or any of its subsidiaries or Galaxy or any of its subsidiaries, as the case may be, to which the other party has expressly consented in writing or as expressly permitted by the Arrangement Agreement; or (viii) a decline in the TSX-V level following the date hereof; it being understood that any cause of any change referred to in clause (i) above may be taken into consideration when determining whether a fact, circumstance, change, effect, occurrence, event or state of facts is Materially Adverse; it being further understood that any fact, circumstance, change, effect, occurrence, event or state of facts referred to in clauses (ii), (iii) and (iv) above may nevertheless be taken into consideration when determining whether a fact, circumstance, change, effect, occurrence, event or state of facts is Materially Adverse to the extent that any such circumstance, change, effect, occurrence, event or state of facts disproportionately impacts the

financial condition, operations, results of operations, business, prospects, assets or capital of that person relative to other participants in such person's industry.

"**Measured Mineral Resource**" means that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence.

"**Meeting**" means the special meeting of the Lithium One Securityholders to be held on June 18, 2012 and any adjournment(s) or postponement(s) thereof to, among other things, consider and, if thought advisable, approve the Arrangement Resolution.

"**MI 61-101**" means Multilateral Instrument 61-101 – *Protection of Minority Securityholders in Special Transactions* of the Ontario Securities Commission and l'Autorité des marchés financiers (Québec).

"**Mineral Resource**" means a concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction.

"**Minority Approval**" means approval of the Arrangement Resolution by a simple majority of the votes cast at the Meeting in person or by proxy by all Lithium One Shareholders other than (i) any interested party to the Arrangement within the meaning of MI 61-101, (ii) any related party of an interested party within the meaning of MI 61-101 (subject to exceptions set out therein), and (iii) any person that is a joint actor with any of the foregoing for the purposes of MI 61-101.

"**Minority Shareholders**" means all Lithium One Shareholders, other than Mr. Paul Matysek and Mr. Martin Rowley; (ii) any "related parties" of Mr. Paul Matysek and Mr. Martin Rowley (as defined for the purposes of MI 61-101); and (iii) any person or company acting jointly or in concert with the foregoing.

"**MJDS**" means the multijurisdictional disclosure system established by National Instrument 71-101 - *The Multijurisdictional Disclosure System* of the Canadian Securities Administrators.

"**Mt Cattlin Project**" means Galaxy's project to mine the Mt Cattlin Property.

"**Mt Cattlin Property**" means Galaxy's advanced lithium oxide property at Mt Cattlin near Ravensthorpe in Western Australia.

"**NI 45-102**" means National Instrument 45-102 – *Resale of Securities* of the Canadian Securities Administrators.

"**NI 45-106**" means National Instrument 45-106 – *Prospectus and Registration Exemptions* of the Canadian Securities Administrators.

"**NI 51-102**" means National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators.

"**NI 54-101**" means National Instrument 54-101 - *Communications with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators.

"**NI 71-102**" means National Instrument 71-102 - *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* of the Canadian Securities Administrators.

"**Non-Electing U.S. Holder**" has the meaning ascribed thereto under the heading "Certain United States Federal Income Tax Considerations".

"**Non-U.S. Holder**" has the meaning ascribed thereto under the heading "Certain United States Federal Income Tax Considerations".

"**Notice of Application**" means the Notice of Application for the Final Order.

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"**Notifiable Transactions**" means certain classes of transactions that exceed the thresholds set out in Sections 109 and 110 of the Competition Act and require that the Commissioner be notified.

"**OBCA**" means the *Business Corporations Act* (Ontario), as amended.

"**OBCA Director**" means the Director appointed pursuant to Section 278 of the OBCA.

"**Ore Reserve**" means the economically mineable part of a Measured Mineral Resource and/or Indicated Mineral Resource.

"**Outside Date**" means August 31, 2012 or such later date to which each of Lithium One and Galaxy may agree in writing.

"**Owens Corning**" means Owens Corning Sales, LLC.

"**person**" includes any individual, firm, partnership, limited partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, Agency, syndicate or other entity, whether or not having legal status.

"**PFIC**" has the meaning ascribed thereto under the heading "Certain United States Federal Income Tax Considerations".

"**Plan of Arrangement**" means the plan of arrangement in the form and content of Schedule B annexed to the Arrangement Agreement, and any amendments or variations thereto made in accordance with Section 7.B of the Arrangement Agreement or Section 6 of the Plan of Arrangement or made at the direction of the Court.

"**Principal Parties**" means Galaxy and Lithium One.

"**Proposed Amendments**" means all proposed amendments to the ITA and the regulations thereunder that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this Circular.

"**Proprietary Information**" means collectively, (i) any information regarding Lithium One's past or current potential transactions and all other business development activities, and (ii) any information which Lithium One is permitted not to deliver to Galaxy pursuant to the Confidentiality Agreement due to competitive reasons.

"**PRC**" means the People's Republic of China.

"**QBCA**" means the *Business Corporations Act* (Québec).

"**QEF**" has the meaning ascribed thereto under the heading "Certain United States Federal Income Tax Considerations".

"**QEF Election**" has the meaning ascribed thereto under the heading "Certain United States Federal Income Tax Considerations".

"**Record Date**" means May 8, 2012.

"**Redemption Call Right**" shall have the meaning set out in the Plan of Arrangement attached as Appendix I to the Plan of Arrangement.

"**Redemption Date**" shall have the meaning set out in the Circular under the heading "Description of Exchangeable Shares and Related Agreements – Description of Exchangeable Shares – Retraction and Redemption of Exchangeable Shares and Call Rights".

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"**Redemption Price**" means an amount per share equal to the Current Market Price of a Galaxy Share on the last business day prior to the Redemption Date plus the Dividend Amount.

"**Registered Plans**" means registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts, each as defined in the ITA.

"**Representatives**" of a person means, collectively, the directors, officers, employees, professional advisors, agents or other authorized representatives of such person.

"**Response Period**" has the meaning ascribed thereto under the heading "The Arrangement Agreement – Alternative Transactions – Implementation of Superior Proposal".

"**Retraction Call Right**" shall have the meaning set out in the terms of the Exchangeable Shares.

"**Retraction Date**" means the business day on which Canco will redeem the Retracted Shares.

"**Retraction Price**" means an amount per share equal to the Current Market Price of a Galaxy Share on the last business day prior to the Retraction Date plus the Dividend Amount.

"**Retraction Request**" means a duly executed statement, prepared and delivered in accordance with the terms of the Plan of Arrangement, accompanying the presentation and surrender of written evidence of the book entry of, or the certificate or certificates representing the Exchangeable Shares which the holder desires to have Canco redeem, together with such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under the QBCA and the Articles of Canco and such additional documents, instruments and payments as the Transfer Agent and Canco may reasonably require to effect a retraction.

"**Retracted Shares**" means the Exchangeable Shares that the holder desires to have redeemed by Canco.

"**royalty**" means the right to receive a percentage or other denomination of mineral production from a resource extraction operation.

"**RZB**" means Raiffeisen Zentralbank Osterreich AG.

"**Sal de Vida Project**" means Lithium One's Sal de Vida brine project in the Provinces of Salta and Catamarca in northwestern Argentina.

"**SEC**" means the United States Securities and Exchange Commission.

"**Securities Commissions**" means the securities regulatory authorities in each of the provinces of Canada.

"**Securities Exchange Act**" means the United States *Securities Exchange Act of 1934*, as amended.

"**Senior Loan Facility**" means a US$105 million senior, secured facility made available to Galaxy by CDB and RZB, which was drawn down in September 2010 and repaid in June 2011.

"**Share Sale Facility**" shall have the meaning set out under the heading "Share Sale Facility."

"**Special Voting Shares**" means the special voting shares in the capital of Galaxy having substantially the rights, privileges, restrictions and conditions described in the Voting and Exchange Trust Agreement.

"**subsidiary**" has the meaning ascribed thereto by the OBCA.

"**Superior Proposal**" means any *bona fide* written Acquisition Proposal made before or after the date hereof by a third party that was not solicited in contravention of the non-solicitation provisions of the Arrangement Agreement,

that, in the good faith determination of the board of directors of Lithium One or Galaxy, as the case may be, (following consultation with their financial advisors and outside legal advisors): (i) is reasonably capable of being completed (taking into account all legal, financial, regulatory and other aspects of such proposal and the party making such proposal), (ii) is not subject to due diligence and/or access to information condition, (iii) is fully financed or is capable of being fully financed taking into account the creditworthiness of Lithium One or Galaxy, as the case may be, or provided that applicable securities Laws are met, and (iv) the failure to recommend such Acquisition Proposal to Lithium One Shareholders or Galaxy Shareholders, as the case may be, would constitute a breach of its fiduciary duties under applicable Laws.

"**Support Agreement**" means an agreement to be made among Galaxy, Callco and Canco in connection with the Plan of Arrangement substantially in the form and substance of Schedule I to the Arrangement Agreement.

"**Termination Fee**" has the meaning ascribed thereto under the heading "The Arrangement Agreement — Alternative Transactions — Response by Galaxy".

"**TFSA**" means a tax-free savings account.

"**Transactions**" means the Arrangement and the other transactions related to the acquisition of Lithium One by Galaxy contemplated by the Arrangement Agreement and the other agreements contemplated therein.

"**Transfer Agent**" means Computershare Trust Company of Canada or such other person as may from time to time be appointed by Canco as the registrar and transfer agent for the Exchangeable Shares.

"**TSX-V**" means the TSX Venture Exchange.

"**U.S. Holder**" has the meaning ascribed thereto under the heading "Certain United States Federal Income Tax Considerations".

"**Voting Agreements**" means the voting support agreements entered into by Galaxy and Canco with the Voting Shareholders and Voting Noteholders pursuant to which, and subject to the terms thereof, the Voting Shareholders and Voting Noteholders have agreed to vote their Lithium One Common Shares, Lithium One Options and Lithium One Notes (as applicable) at the Meeting in favour of the Arrangement Resolution.

"**Voting and Exchange Trust Agreement**" means an agreement to be made among Galaxy, Canco and the Voting and Exchange Trustee in connection with the Plan of Arrangement substantially in the form and substance of Schedule J to the Arrangement Agreement.

"**Voting and Exchange Trustee**" or "**Trustee**" means Computershare Trust Company of Canada, a trust company incorporated under the laws of Canada.

"**Voting Noteholders**" means each of the Lithium One Noteholders who have entered into Voting Agreements.

"**Voting Shareholders**" means each director and officer of Lithium One and certain other Lithium One Securityholders who have entered into Voting Agreements.

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APPENDIX B
COMPARISON OF RIGHTS OF LITHIUM ONE SHAREHOLDERS AND GALAXY SHAREHOLDERS

The rights of Lithium One Shareholders are governed by the OBCA and by Lithium One's articles and by-laws. Following the Arrangement, Lithium One Shareholders who receive Galaxy Shares as part of the Arrangement (or who elect to receive Exchangeable Shares and who subsequently exchange such Exchangeable Shares for Galaxy Shares) will become shareholders of Galaxy and as such their rights will be governed by the Corporations Act 2001 and other relevant Australian legislation, the ASX Listing Rules and Galaxy's Constitution. In addition, Lithium One Shareholders who receive Exchangeable Shares as part of the Arrangement will receive shares of a Québec corporation that will provide the holder thereof with economic and voting rights which are equivalent to the Galaxy Shares.

The following is a summary of the material differences between the rights of Lithium One Shareholders and the rights of Galaxy. This summary is not a complete comparison of rights that may be of interest and Lithium One Shareholders should therefore read the full text of the certificates of incorporation, articles and by-laws, as applicable, of Lithium One available at www.sedar.com under the Lithium One profile and the Constitution Galaxy available at www.sedar.com and www.sec.gov under Galaxy's profile.

	Lithium One Shareholder Rights	**Galaxy Shareholder Rights**
Authorized Share Capital	An unlimited number of common shares.	Concept not applicable to companies incorporated in Australia.
Voting Rights	At a meeting of Lithium One Shareholders each shareholder shall be entitled to one vote for each share held.	At a meeting of Galaxy shareholders, every person present who is a Galaxy shareholder or a proxy, attorney or representative of a Galaxy shareholder has on a show of hands, one vote; and on a poll, one vote in respect of each fully paid share held.
Shareholder Approval of Business Combinations; Fundamental Changes	Fundamental changes may be approved by a shareholders special resolution. If such change affects a series or class of shares differently, then that series or class may vote their approval separately. Plans of arrangement for corporate actions listed in the *Business Corporations Act* (Ontario) (the "**Act**") including, but not limited to, a reorganization, amalgamation, liquidation, or dissolution of Lithium One may require court approval, but can bind the minority.	The Corporations Act 2001 allows a compromise or arrangement between a company and its members to bind a dissenting minority of members if approved in separate meetings of members having the same interest, and if it receives court approval.
Special Vote Required for Combinations with Interested Shareholders	Any business combination requires the approval of at least two-thirds of the votes cast by the shareholders. Classes of shareholders that are affected differently may vote separately and any dissenting shareholders have a right to be paid fair value for their shares. Any Insider of Lithium One must abide by the provisions of the Act and all other applicable laws.	The Corporations Act 2001 and the ASX Listing Rules prohibit a public company from giving a financial benefit to a related party except in certain specified circumstances. One of these circumstances is where non-interested shareholders of the company approve the transaction at a general meeting of shareholders.
Appraisal Rights; Rights to Dissent; Compulsory	The Act allows for the compulsory acquisitions of the shares of a dissenting	The Corporations Act 2001 also allows for the compulsory acquisitions of the shares

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	Lithium One Shareholder Rights	Galaxy Shareholder Rights
Acquisition	shareholder, if certain requirements are satisfied. If within 120 days after the date of a take-over bid or an issuer bid, the bid is accepted by the holders of not less than 90 per cent of the securities of any class of securities to which the bid relates, the offeror is entitled, upon complying with this section, to acquire the securities held by the remaining holders.	of a dissenting shareholder, if certain requirements are satisfied.
Shareholder Consent to Action Without a Meeting	A resolution in writing signed by all the shareholders is valid as if it had been passed at a meeting of the shareholders.	This concept would not be applicable to a public listed company such as Galaxy.
Special Meetings of Shareholders	The board of directors, the chair of the board, the managing director or the president may call a special meeting of the shareholders at any time. Any holder of not less than 5% may requisition the directors to call a special meeting.	The directors of Galaxy must call and arrange to hold a general meeting on the request of: (a) members with at least 5% of the votes that may be cast at the general meeting; or (b) at least 100 members who are entitled to vote at the general meeting.
Distributions and Dividends; Repurchases and Redemptions	Subject to the Act, the board of directors may from time to time declare dividends payable to the shareholders according to their respective rights and interests in Lithium One. Dividends may be paid in money or property or by issuing fully paid shares of Lithium One or options or rights to acquire fully paid shares. A corporation may purchase or redeem any redeemable shares issued by it at prices not exceeding the redemption price thereof stated in the articles or calculated according to a formula stated in the articles.	Subject to the Corporations Act 2001, the Constitution and the terms of issue or rights of any shares with special right to dividends, the directors of Galaxy may determine that a dividend is payable, fix the amount and time for payment and authorise the payment by Galaxy to each member entitled to that dividend.
Number of Directors; Vacancies on the Board of Directors	The number of directors of Lithium One is not to be less than 3 nor more than 12. A quorum of the board is defined as two-fifths the number of directors, with a minimum of three directors constituting quorum. A quorum of the board may appoint a qualified individual to fill a vacancy in the board.	The number of directors of Galaxy is not to be less than 3 nor more than 12 or any lesser number than 12 determined by the directors (provided that the number must not be less than the number of directors in office at the time the determination takes effect).
Constitution and Residency of Directors	Public companies must have at least three directors, one-third of which should not be officers or employees of the corporation or any of its affiliates. All directors must be natural persons who	Public companies must have at least three directors, two of whom must be ordinarily resident in Australia. A public company must also have at least one company secretary ordinarily resident

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	Lithium One Shareholder Rights	Galaxy Shareholder Rights
	are capable, at least 18 years of age, and do not have the status of a bankrupt. At least one quarter of the directors must be Canadian residents.	in Australia. All directors and company secretaries must be natural persons who are at least 18 years of age. There is no requirement for any director or officer to be an Australian citizen.
Removal of Directors; Terms of Directors	Directors may be removed by ordinary resolution by the company's shareholders. Directors are not required to hold office for a specific term and may be re-elected, or, if no replacement is elected may remain incumbent.	Directors can be removed by resolution of the company's shareholders. All Galaxy directors (excluding the Managing Director) must not hold office without re-election past the third annual general meeting following their appointment or last election or for more than three years.
Indemnification of Directors and Officers	Lithium One shall indemnify any individual who is or was a director against: (a) all costs, charges and expenses reasonably incurred by any such individual in respect of any proceeding arising from that association; (b) Lithium One shall also advance moneys to such affect; and, (c) any other action to which the Act applies. Lithium One shall not indemnify an individual, unless such individual acted: (a) honestly and in good faith with a view to the best interests of the company; and, (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, had reasonable grounds for believing that such individual's conduct was lawful.	Galaxy may indemnify any person who is or has been a director, officer or senior manager of Galaxy or a subsidiary of Galaxy, against any liability incurred by that person that capacity, including legal costs. Galaxy may not indemnify a person against any of the following liabilities incurred as an officer or auditor of Galaxy: (a) a liability owed to Galaxy or a related body corporate; (b) a liability for a pecuniary penalty order under the Corporations 2001 or a compensation order under the Corporations Act 2001; or (c) a liability that is owed to someone other than the Company and did not arise out of conduct in good faith.
Limited Liability of Directors	All directors and officers shall act honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would. Subject to the foregoing, and to the Act, no director shall be liable. Directors of a corporation who vote for or consent to a resolution authorizing the issue of a share	The liability of directors in Australia is generally limited and directors will only be personally liable in certain circumstances such as trading while insolvent or breaching the insider trading prohibitions in the Corporations Act 2001.

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	Lithium One Shareholder Rights	Galaxy Shareholder Rights
	for a consideration other than money contrary to the Act are jointly and severally liable to the corporation to make good any amount by which the consideration received is less than the fair equivalent of the money that the corporation would have received if the share had been issued for money on the date of the resolution provided that a director will only be liable if (i) the corporation is sued in the action against the director and execution against the corporation is returned unsatisfied in whole or in part or (ii) before or after the action is commenced, the corporation goes into liquidation, is ordered to be wound up or makes an authorized assignment under the *Bankruptcy and Insolvency Act* (Canada), or a receiving order under that Act is made against it, and, in any such case, the claim for the debt has been proved.	
Shareholder Lawsuits	A shareholder may apply for a Court order: (a) where the conduct of a company's affairs is oppressive, unfairly prejudicial or unfairly disregards the interests of any shareholder; and (b) for the prosecuting, defending or discontinuing of an action on behalf of the body corporate. Orders may be sought restraining or authorizing an action on behalf of the company as well as a variety of other circumstance as stipulated in the Act.	A shareholder may apply for a Court order where the conduct of a company's affairs is, among other things, oppressive to, unfairly prejudicial to, or unfairly discriminatory against, a shareholder or shareholders. The orders that may be sought include winding up, amendment to the Constitution, orders regulating the conduct of a company's affairs, orders for the purchase of shares, orders that the company institute, defend or discontinue specified proceedings, and other similar orders
Advance Notification Requirements for Proposals of Shareholders	Lithium One is required to provide shareholders with not less than 21 and not more than 50 days notice before the date of each meeting.	Galaxy is required to provide shareholders with at least 28 days notice of a general meeting.
Shareholder Rights Plans	Lithium One does not have a shareholder rights plan in operation.	Galaxy does not currently have a Shareholder Rights Plan in operation.
Inspection of Books and Records	Shareholders, beneficial owners of shares, creditors, and their agents or legal representatives may examine the records during the usual business hours of the company and may take extracts from those records free of charge.	On application by a shareholder, the Supreme Court of any Australian State or the Federal Court of Australia may make an order: (a) authorizing the applicant to inspect

	Lithium One Shareholder Rights	Galaxy Shareholder Rights
		books of Galaxy; or (b) authorizing another person to inspect books of Galaxy on the applicant's behalf.
Amendment of Governing Documents	The Articles of the company may only be altered by special resolution passed by at least two thirds of the votes cast by the members entitled to vote on the resolution.	The Constitution may only be altered by special resolution, that is, a resolution passed by at least 75% of the votes cast by members entitled to vote on the resolution.

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APPENDIX C
INFORMATION RELATING TO GALAXY AND CANCO

Except as otherwise indicated, the information concerning Galaxy and Canco contained in the Circular has been taken from or is based upon information supplied by Galaxy or other public sources. Although Lithium One has no knowledge that would indicate that any statements contained herein concerning Galaxy are untrue or incomplete, neither Lithium One nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information, including any of Galaxy's financial statements or Galaxy's mineral reserve and mineral resource estimates, or for any failure by Galaxy to disclose events or facts which may have occurred or which may affect the significance or accuracy of any such information but which are unknown to Lithium One. Lithium One has limited means of verifying the accuracy or completeness of any of the information contained herein that is derived from Galaxy's publicly available documents or records or whether there has been any failure by Galaxy to disclose events that may have occurred or may affect the significance or accuracy of any information.

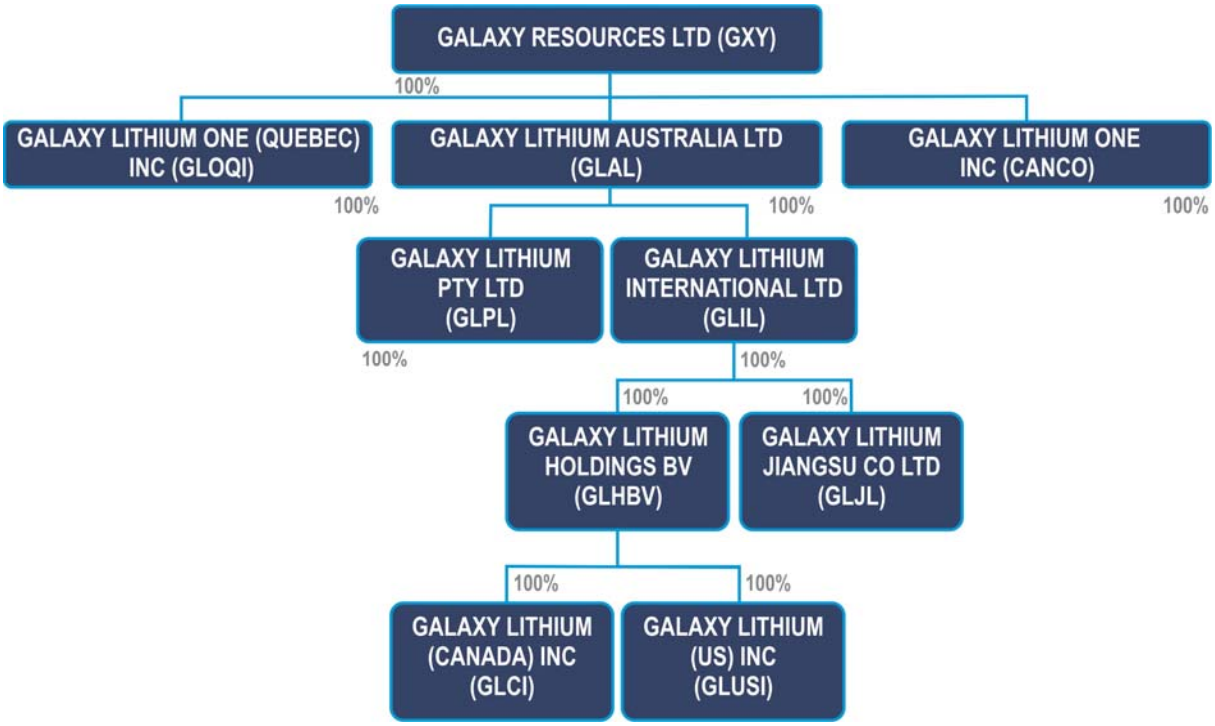
Name and Incorporation

Galaxy was incorporated in Western Australia under the predecessor to the Corporations Act (Australia) on January 15, 1996 and registered in Western Australia under the name Galaxy Resources NL. Galaxy changed its name to Galaxy Resources Limited on September 28, 2001. Galaxy's registered office and principal place of business is Level 2, 16 Ord Street, West Perth, Western Australia 6005.

On February 6, 2007, Galaxy began trading on the ASX under the symbol "GXY".

Intercorporate Relationships

Set out below is the corporate structure of the Galaxy group of companies (the "Galaxy Group") as at the date of this Circular. Galaxy controls, directly or indirectly, 100% of the voting capital of all entities presented in the structure.



GXY, GLAL, GLPL and GLIL are incorporated in Australia. GLOQI, Canco and GLCI are incorporated in Quebec Province, Canada. GLHBV is incorporated in the seat of Amsterdam, Holland. GLJL is incorporated in Jiangsu Province, the People's Republic of China. GLUSI is incorporated in the State of Delaware, USA. GLAL owns the

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tenements, assets, plant (with the exception of the power station), and much of the equipment at the Mt Cattlin property near Ravensthorpe in Western Australia (the "Mt Cattlin Property"). GLJL is a wholly owned foreign enterprise incorporated in the PRC, which owns the assets, plant and equipment on the site of the Jiangsu Plant and will operate the Jiangsu Plant (defined herein). GLHBV is a holding company, which owns 100% of GLCA and GLUS. GLCA and GLUS are incorporated as future investment companies.

Any Lithium One Common Shares that are acquired by Galaxy pursuant to the Arrangement will be acquired by Canco, a wholly-owned subsidiary of Galaxy. Canco is CANCO in the above structure chart.

DESCRIPTION OF THE BUSINESS

Galaxy is an Australian-based integrated lithium mining and chemicals company. At the Mt Cattlin Property, Galaxy mines lithium pegmatite ore and processes it on site to produce a spodumene concentrate and tantalum by-product. The concentrated spodumene is shipped to Galaxy's wholly-owned lithium carbonate plant located in the Jiangsu Province of the PRC (the "Jiangsu Plant"). Lithium compounds are used in the manufacture of ceramics, glass, electronics and are an essential cathode material for long life lithium-ion batteries to power e-bikes and hybrid and electric vehicles.

Galaxy has adopted a number of policies and procedures governing its operations. These include corporate governance, EEO and harassment, diversity and behaviour policies.

General Development of the Business

History

Galaxy was incorporated and registered in Western Australia as Galaxy Resources NL in 1996 and changed its name to Galaxy Resources Limited in 2001.

In 2006, Galaxy acquired mining lease M74/12 from then gold producer, Sons of Gwalia Ltd. The mining lease was located near Ravensthorpe, Western Australia and contained lithium and tantalum bearing pegmatite mineralization. It has now been consolidated into a larger mining lease, M74/244, that is Galaxy's Mt Cattlin Property.

Galaxy successfully completed its initial public offering, raising A$3 million and was subsequently listed on the ASX under symbol "GXY" in February 2007. Following listing, Galaxy commenced resource definition drilling at the Mt Cattlin Property and announced an initial Measured and Indicated Mineral Resource of 7.5 million tonnes at 1.03% lithium oxide and 133 ppm tantalum pentoxide and an Inferred Resource of 4.8 million tonnes at 0.96% lithium oxide and 140 ppm tantalum pentoxide. Also in December 2007, Galaxy released the results of a pre-feasibility study for the Mt Cattlin Property, which supported the viability of the project and recommended Galaxy commence a full feasibility study.

Throughout 2008, Galaxy progressed the feasibility study, which sought to determine the viability of developing a one million tonne per annum mining and processing operation to produce spodumene concentrate for an expected mine life of 10 to 15 years. The results of this feasibility study, which were announced in January 2009, confirmed the economic and technical viability of the Mt Cattlin Property. The study estimated the project had a pre-tax net present value of A$128 million at an 8% discount rate, based on a life of mine average pre-tax cash flow of A$26 million per annum and a capital cost of A$68 million. Galaxy had also recognized the potential of undertaking a further processing step to produce lithium carbonate and commenced investigations into the viability of developing a lithium carbonate plant.

Galaxy was granted two additional mining leases, M74/155 and M74/182, from the Western Australian Government Department of Mines and Petroleum in January 2009. These mining leases were contiguous with M74/12 and contained a number of priority targets. Infill drilling of the existing Mineral Resource and extension drilling to the north and west of the Mineral Resource on the newly granted mining leases led to a revised Measured and Indicated Resource of 9.3 million tonnes at 1.12% lithium oxide and 153 ppm tantalum pentoxide and an Inferred Mineral

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Resource of 5.0 million tonnes at 1.01% lithium oxide and 152 ppm tantalum pentoxide in May 2009. The revised estimate included an additional 100 RC holes (6,425 metres) and six diamond holes (163 metres).

In April 2009, Galaxy completed a pre-feasibility study for a lithium carbonate plant. The study estimated a net present value of between A$310 million and A$360 million, representing a significant uplift compared to a spodumene only operation. In the study, Galaxy noted the potential of locating the plant closer to end markets and the associated potential improvement to project economics through lower capital and operating costs. Galaxy began investigating potential sites in China.

Several key project milestones were achieved in the second half of 2009. In September, Galaxy announced a maiden JORC-compliant Ore Reserve estimate of 9.3 million tonnes at 1.04% lithium oxide and 138 ppm tantalum pentoxide at the Mt Cattlin Property and was granted mining approval in November.

A feasibility study for a lithium carbonate plant in the Jiangsu Province, China was released in October 2009. The study envisaged production of 17,000 tonnes per annum of battery grade lithium carbonate and estimated capital costs of A$55 million. Galaxy resolved to quickly develop the Jiangsu Plant.

Galaxy also announced a number of fund raising initiatives to advance development of the Mt Cattlin Property and the Jiangsu Plant in the second half of 2009. Galaxy entered into a funding agreement with Chinese investment company Creat Group Co Ltd ("Creat Group"), comprising an equity investment of A$33 million by Creat Resources Holdings Limited ("CRHL") and an agreement to provide A$130 million in debt. Creat Group was subsequently released from its obligation to provide debt as a result of Galaxy entering into a new US$105m senior loan facility (the "Senior Loan Facility") with China Development Bank ("CDB") and Raiffeisen Zentralbank Osterreich AG ("RZB"). Galaxy also completed a placement to institutional and sophisticated investors, raising A$65 million in October 2009.

In January 2010, Galaxy was granted mining lease M74/244, which consolidated the Mt Cattlin Property tenure (including existing mining leases M74/12, M74/155 and M74/182) into a single mining lease and encompassed the entire ore body and land required for site infrastructure.

Also in January 2010, Galaxy increased its Measured and Indicated Mineral Resource at the Mt Cattlin Property to 12.3 million tonnes at 1.11% lithium oxide and 166 ppm tantalum pentoxide and its Inferred Resource to 3.6 million tonnes at 1.00% lithium oxide and 145 ppm tantalum pentoxide. The estimate included an additional 156 RC holes (9,261 metres) and six diamond holes. A revised Ore Reserve estimate followed in March 2010, with Galaxy increasing the tonnage by 23% to 11.4 million tonnes at 1.05% lithium oxide and 147 ppm tantalum pentoxide.

Between February 2010 and April 2010, Galaxy entered into offtake agreements for all of the Jiangsu Plant's expected lithium carbonate production. The offtake agreements were with Mitsubishi Corporation (5,000 tonnes per annum) and thirteen major Chinese lithium cathode producers (total of 12,000 tonnes per annum).

Galaxy received the construction permit for the Jiangsu Plant from the Jiangsu Province Administration Bureau for Industry and Commerce in June 2010. The permit represented the final key milestone of the approval process and allowed Galaxy to commence below ground construction activities.

Galaxy commenced extracting ore from the Mt Cattlin Property in June 2010 and commenced commissioning of the processing plant in September 2010. Production of spodumene concentrate commenced in October 2010.

Galaxy achieved draw down of its Senior Loan Facility in September 2010, receiving US$105 million from CDB and RZB. In November 2010, Galaxy announced a capital raising of A$91.5 million, comprising A$61.5 million in Convertible Bonds and a A$30 million equity placement. This funding assisted in the continued ramp up of production at Mt Cattlin, the construction of the Jiangsu Plant and also provided Galaxy with additional working capital.

In February 2011, Galaxy entered into an agreement with Lithium One to acquire up to 70% of the James Bay Pegmatite Property in Québec, Canada. Consideration for the acquisition comprised a cash payment and funding and

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completing certain pre-development activities, including a feasibility study. An initial 20% interest was acquired in May 2011 via payment of C$3 million to Lithium One.

In March 2011, Galaxy delivered the first shipment of tantalum concentrate, a by-product from its Mt Cattlin Property, to Global Advanced Metals Pty Ltd. Later that month, Galaxy successfully loaded its first shipment of spodumene concentrate produced from its Mt Cattlin Property. The shipment contained 6,500 tonnes of spodumene concentrate bound for processing at Galaxy's Jiangsu Plant.

Also in March 2011, Galaxy announced a revised Measured and Indicated Mineral Resource estimate of 13.8 million tonnes at 1.09% lithium oxide and 164 ppm tantalum pentoxide and an Inferred Resource of 4.4 million tonnes at 1.07% lithium oxide and 132 ppm tantalum pentoxide. The revised estimate included an additional 67 RC holes (5,446 metres) and five diamond holes (390 metres) and has the potential to increase the mine life of Mt Cattlin to up to 18 years.

In April 2011, Galaxy announced a A$120 million capital raising via an equity placement to institutional and sophisticated investors. The funds were raised for working capital and the continuing ramp up of the Mt Cattlin Property and construction and ramp up of the Jiangsu Plant.

In September 2011, Galaxy commenced the definitive feasibility study on the James Bay Project. The completion of the definitive feasibility study within 24 months will allow Galaxy to increase its stake in the James Bay Project to 70%. Also in September, Galaxy signed off-take agreements with electric bicycle manufacturers for 100% of the then current planned production from the proposed Lithium-Ion Battery Project in Jiangsu, China. Due to an increase in proposed production from the battery project, off-take agreements representing 80% of planned production (as at the date of this circular) have been signed.

Galaxy achieved mechanical completion and commenced cold commissioning of the Jiangsu Plant in December 2011. The Jiangsu Plant was officially opened on March 7, 2012 with first production achieved in April 2012.

In January 2012, Galaxy completed a revised feasibility study for its Lithium-Ion Battery Project. The study envisaged production of 620,000 e-bike batteries per annum generating expected annual revenue of A$142 million and average pre-tax net cashflows of A$68 million per annum. The capital cost of the Lithium-Ion Battery Plant is estimated to be A$142million. The non-geared, pre-tax net present value of the Lithium-Ion Battery Project at a 10% discount rate is estimated at A$365 million, with an IRR of approximately 43%.

In March 2012, Galaxy announced it would merge with Lithium One via a plan of arrangement. Galaxy subsequently announced a A$30 million share placement to support of the merger in April 2012.

Mt Cattlin Project and Jiangsu Plant

Galaxy is the owner of the Mt Cattlin Property located in Western Australia. Galaxy began the construction of mining and plant facilities at its Mt Cattlin Property site in November 2009 and commenced early mining activities and subsequent production in June 2010. Galaxy is operating a wholly-owned one million tonne per annum ("Mtpa") mining and processing operation at its Mt Cattlin Property, which is expected to produce 137,000 tonnes per annum ("tpa") at 6.0% Li_2O spodumene concentrate over an estimated 14 year mine life (from start date). Galaxy has also initiated the construction of its Jiangsu Plant in China designed to produce 17,000 tpa of lithium carbonate that is suitable for use in manufacturing battery cathode materials. Mechanical completion of the Jiangsu Plant was achieved in December 2011 and first production of lithium carbonate was achieved in April 2012. The Mt Cattlin Property with its processing facilities and the Jiangsu Plant are an integrated mining project. As used hereafter in this "Mt Cattlin Project and Jiangsu Plant" section, references to the Mt Cattlin Project refer to the integrated mining project (the Mt Cattlin Project including the Jiangsu Plant).

A technical report entitled "*Galaxy Resources: Mt. Cattlin (Western Australia)*" dated as of December 31, 2011 in respect of the Mt Cattlin Project (the "Technical Report") was prepared for Galaxy by Leon Lorenzen and Jeremy Peters of Snowden Mining Industry Consultants Pty Ltd ("Snowden") and Robert Spiers of Hellman & Schofield Pty Ltd ("Hellman & Schofield"), all of whom are independent qualified persons under NI 43-101. The following

summary has been prepared with the consent of Messrs. Lorenzen, Peters and Spiers, Snowden and Hellman & Schofield, and in many cases is a direct extract of the disclosure contained in the Technical Report. Portions of the following information are based on assumptions, qualifications and procedures described in the Technical Report but which are not fully described herein, and reference should be made to the full text of the Technical Report.

The Technical Report has been filed concurrently with this Circular with certain Canadian securities regulatory authorities pursuant to NI 43-101 and is available for review under Lithium One's SEDAR profile at www.sedar.com.

Property Description and Location

The Mt Cattlin Property comprises Mining Lease M74/244, which was granted to Galaxy on December 24, 2009 and will expire on December 23, 2030. The Mt Cattlin Property area is 1,832 hectares with its location described as 120° 2' 4"' E, 33° 33' 47"'S or approximately 2 km north of the town of Ravensthorpe in Western Australia. The site is located in the Phillips River Mineral Field, which surrounds the township of Ravensthorpe, 450 km southeast of Perth, Western Australia. The regional centre of Albany is located 281 km to the west and the port of Esperance is 187 km to the east. Galaxy has freehold title of land subject to current mining operations and the plant site located on the Mt Cattlin Property. The Mt Cattlin Property is subject to obligations relating to environmental management, including with respect to groundwater and vegetation.

The Mt Cattlin Project comprises the Jiangsu Plant, which is a wholly-owned battery grade lithium carborte plant located in the Yangtze River International Chemical Industrial Park of the Zhangjiagang Free Trade Zone in the Jiangsu Province of the PRC, 80 km northwest of Shanghai. Galaxy's spodumene feed will be shipped from Esperance in Western Australia and unloaded at the Zhangjiagang port at a wharf that is less than 500 m from the Jiangsu Plant. For additional information on the Jiangsu Plant, please refer to "Mining Operations - Metallurgical Processing" below.

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Figure 1 - Mt Cattlin Property Location Map



Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Mt Cattlin Property is serviced by existing infrastructure and facilities available within Western Australia generally, and within the vicinity of the property in particular. Albany and Esperance, the two nearest major centres of population, both have heavy industry support including construction, engineering and manufacturing services. Galaxy operates year-round.

Transport of materials and equipment from Perth is via a number of existing highways (Brookton, Albany and South Coast Highway), whilst product transport is via the South Coast Highway to Esperance.

Spodumene produced at Mt. Cattlin is trucked in bulk to Bunbury Port and stored in a nominated area within the port, from where it is then be shipped to China in bulk quantities between 12,000 tonnes and 25,000 tonnes per shipment. Spodumene is unloaded at a private berth in Zhangjiagang and delivered by conveyors to Galaxy's Jiangsu Plant, approximately 500m from the berth.

Galaxy's finished product (lithium carbonate) will be shipped in 25 kg or 1 tonne bags on pallets from Zhangjiagang to two nominated warehouses in Tianjin (North China) and Changsha (South China) via barges, rail and trucks. Customers in the Central and Western China regions will receive product via trucks directly from a warehouse at the plant in Zhangjiagang.

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History

The pegmatites upon which the Mt Cattlin Project is based were first reported in 1843. The Ravensthorpe district has been the subject of extensive exploration and mining activity dating back to 1892 with the discovery of small quantities of gold in association with copper and iron pyrites on the eastern side of the Ravensthorpe Range.

The township of Ravensthorpe was surveyed in 1900 and gazetted in 1901 at which time 15 mines were operating. A total of 53 mines were listed as operating in 1903 by which time it was realised that most of the gold occurred with copper. The first government smelter was built in 1904 east of the town and a larger smelter was later erected on the Hopetoun road in 1906 which closed in 1918. The Phillips River Mineral Field was principally Western Australia's main copper mining centre with 19,000 tonnes being produced. A total of 83,942 ounces of gold was produced from copper mines and some auriferous quartz reefs from 88,220 tonnes of ore. The population of the gold field peaked in 1911 when the figure was in excess of 3,000 persons.

The Cattlin Creek pegmatites have been the subject of several drilling, sampling and metallurgical test campaigns as well as feasibility studies dating back to the 1960s. During the period 1962 to 1966 Western Mining Corporation ("WMC") carried out an extensive drilling programme and established a resource of 'green' and 'white' spodumene (lithium-bearing ore mineral in the pegmatite).

Extensive mineralogical and metallurgical test work was carried out as part of this programme, culminating in WMC preparing an internal feasibility study on the mining and production of 10,000 to 15,000 tpa of spodumene from the deposit on Mining Lease M74/12.

Since the 1960s the tenements have been owned by several companies, all of whom have viewed them as a prospective tantalite resource and conducted drilling and metallurgical test work accordingly. Major programmes have been as follows:

- Pancontinental Mining Limited, July 1989, 101 RC holes;
- Pancontinental Mining Limited, 1990, additional 21 RC holes;
- Greenstone Resources NL, 1997, 3 diamond, 38 RC holes and soil sampling; also 23 by 44 gallon drums of freshly blasted mineralised material was sent to the Nagrom mineral processing facility (based in Kelmscott, WA) for crushing, screening and gravity separation testing;
- Haddington Resources Limited, 2001, 9 diamond holes for metallurgical test work, additional RC holes for in-fill and sterilisation.

Galaxy acquired M74/12 (now contained within M74/244) from the administrators of Sons of Gwalia Limited in November 2006.

Geological Setting

The Mt Cattlin Property is located in the Phillips River Mineral Field, within the Ravensthorpe Terrane, which forms part of the Archaean Ravensthorpe greenstone belt. The Ravensthorpe Terrane is predominantly a calc-alkaline complex, and has been subdivided into the Annabelle Volcanics and the Manyutup Tonalite, with both sequences showing similar chemical and age characteristics.

The Mt Cattlin Property's host rocks comprise both the Annabelle Volcanics to the west, and the Manyutup Tonalite to the east. The contact between these rock types extends through the project area. Both the Annabelle Volcanics and the Manyutup Tonalite are intruded by numerous fine to coarse-grained metamorphosed dolerite dykes. A NNW trending gabbro occurs at the eastern edge of the Mt Cattlin pegmatite ore body. Metamorphism of the Annabelle Volcanics and Manyutup Tonalite country rocks grades up to amphibolite facies at Mt Cattlin.

The pegmatites which comprise the ore body occur as a series of sub-horizontal dykes, hosted by both volcanic and intrusive rocks. Several dolerite or quartz gabbro dykes trending roughly ENE and north-south cut all lithologies including the pegmatite dykes and are believed to be Proterozoic in age.

A NNW-trending, sub-vertical fault evident on cross sections and aeromagnetic data, transgresses the western side of the currently-defined ore body, and offsets the pegmatite as well as the main ENE trending dolerite dyke. Displacement across this fault appears to be oblique, with west block down and with a sinistral component. The weathering profile is shallow, with fresh rock generally being encountered at depths of less than 20 m.

Mineralization

Lithium and tantalum mineralisation occurs in pegmatites, which have intruded both the Annabelle Volcanics and the Manyutup Tonalite, close to the contact between these two sequences. The lithium-tantalum mineralised Mt Cattlin pegmatites belong to the spodumene sub-class of the LCT pegmatite family.

The pegmatite dykes occur as a series of sub horizontal to gently-dipping horizons. In places they occur as stacked horizons which overlap in section. Pegmatite mineralisation defined to date covers an area of around 1.6 km east-west and 1 km north-south. The main pegmatite units drilled to date generally lie between 30 m and 60 m below the surface, and outcrop in some locations. However, deeper zones of lithium-mineralised pegmatites occur over 140 m below the surface to the northwest of the main ore body and may have potential to be mined from underground.

The pegmatites have a diverse mineralogy with major minerals comprising quartz, albite, cleavelandite (platy albite), microcline, perthite, spodumene, muscovite and lepidolite. Spodumene is the predominant lithium ore mineral, and several types of spodumene are recognised, including light green and white varieties. Tantalum occurs as the manganese-rich end members of the columbite-tantalite series including Ta-rich manganotantalite, and as microlite.

The mineralogy of the pegmatites varies laterally, and can also be crudely zoned in a sub-vertical manner (perpendicular to margins), with zones differentiated by mineralogy and grain size. Part of the northeast of the deposit contains the lithium-bearing mica lepidolite, which does not occur in the rest of the deposit.

Pegmatites are interpreted to have intruded late in the Archean geological history and have very sharp contacts with country rocks, generally showing no deformation across the contact. While metamorphism of the country rocks up to amphibolites facies grade is evident, the pegmatites are unmetamorphosed.

Exploration

Various campaigns of geological mapping of the Mt Cattlin pegmatites and surrounding lithologies have been undertaken, including in 1958, 1963 and 1989. The most recent mapping was undertaken for Galaxy in 2010 and comprised a regional mapping program which included the Mt Cattlin area. Mapping was accompanied by rock chip sampling, which succeeded in identifying several sub-cropping pegmatite zones in the area surrounding Mt Cattlin. This work has also been supported by various phases of petrological work and detailed costean mapping and mineralogical work. Results of this work have been used to develop the geological models for the Mt Cattlin Property.

Various campaigns of surface rock chip and soil sampling have been carried out over the area, including by WMC in the 1960s and Pancontinental in the late 1980s.

Galaxy has flown various airborne geophysical surveys over the Mt Cattlin Property, including airborne magnetics, radiometrics and versatile time domain electromagnetics ("VTEM"). In 2007, an airborne radiometric and magnetic survey was flown over a large area including Mt Cattlin, by UTS Geophysics in conjunction with Pioneer Nickel. This survey was flown at a sensor height of 30 m, on east west lines at 50 m spacing. A helicopter borne VTEM survey was also flown in 2007, by Geotech Airborne Ltd, also in conjunction with Pioneer Nickel. These surveys did not directly detect lithium/tantalum mineralisation, but assisted in the lithological and structural interpretation of the geology of the area.

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The majority of Galaxy's exploration work has comprised various drilling programs, which are described in "Drilling" below. Galaxy will continue conducting exploration and sampling at Mt Cattlin in conjunction with ongoing mining activities.

Drilling

Samples in the drilling database have been collected using a mixture of diamond drill ("DD"), reverse circulation ("RC"), rotary air blast ("RAB") and unspecified open-hole ("OH") methods. Data from prior tenement holders to Galaxy has been incorporated into the resource database, but the vast majority of data has been generated by Galaxy drill programs. The bulk of drilling carried out by Galaxy has been RC drilling. DD core samples by Galaxy comprise around 5% of all samples in the resource database.

Company	Years	Drill type	Hole number	Number of holes	Total metres
Pancon	1988-1990	RC/OH	CCP040/000-CCP720/860	120	2,627
Green-stone	1996	RC	GRC060-GRC091, GRC247-GRC254	38	947
Green-stone	1996	DD	GD018-GD020	3	57
Haddington	2001	RC	CCC10-CCC58	48	1,042
Haddington	2001	DD	CCM1-CCM9	9	118
Galaxy	2001	RC	GX009-GX141	118	7,347
Galaxy	2001	RAB	GX220-GX241, GX297-GX299	23	402
Galaxy	2001	DD	GXD01-GXD06	6	336
Galaxy	2007	RC	GX450-GX799	341	13,853
Galaxy	2007	DD	GXD09-GXD13	5	194
Galaxy	2008	RC	GX800-GX909	109	6,382
Galaxy	2008	DD	GXMCMTD01-06, GXMCGTD01-04	10	433
Galaxy	2009	RC	GX910-GX1065	154	9,174
Galaxy	2010	RC	GX1066-GX1128	67	5,446
Galaxy	2010	DD	GXD014-GXD018	5	390

Drilling discussed in this section constitutes the data used to estimate the Mineral Resources estimates. The drilling density is considered sufficient to define the geometry and extent of the mineralisation for the purpose of estimating the lithium, tantalum and niobium resources given the understanding of the local project geology, structure and confining formations. Further drilling will be undertaken in future as deemed appropriate by Galaxy in-line with project development and company strategy.

Sampling Preparation, Analyses and Security

Sample Preparation and Quality Control

Drilling from 2001 onwards has been undertaken by Galaxy. Prior to 2001, some historical data was incorporated into the resource database (see above). Pre-Galaxy data utilised in this investigation are historical in nature, with drilling, sampling and assaying processes undertaken by a number of different entities and by a range of representatives within each entity over time. The continuity of processes and procedures has been assumed in this instance.

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RC samples are collected in calico bags at the drill rig. Samples for despatch to the laboratory are inserted into plastic bags (generally around 5 calico bags to a plastic bag) and the plastic bags are sealed with cable ties. The plastic bags are despatched directly from site to Esperance Freight Lines' Ravensthorpe depot by the field supervisor or geologist and trucked by Esperance Freight Lines directly to the assay laboratory. Upon arrival at the assay laboratory, the samples are sorted and a reconciliation advice is provided to Galaxy detailing any missing or extra samples. The geologist is responsible at all times for the secure shipment to the laboratory of the samples.

Samples since 2007 have been assayed at SGS Laboratories, WA, with check assaying undertaken at Ultratrace and Genalysis Laboratories. All samples sent to SGS are sorted, then dried and pulverised to 90% less than 75 μm in a Labtech Essa LM5 pulveriser (preparation method PRP86). Samples weighing over 3.5 kg in weight were riffle split to 50% of original weight (SPL26). A pulp sample of around 200 g is scooped from the total pulverised sample.

All crushing and grinding is carried out by the analytical laboratory. Sample pulps and coarse reject material is stored by the laboratory and returned to Galaxy upon request only after completion of both the initial sample analysis and any additional checks which Galaxy may require following receipt of the initial sample assays.

Galaxy typically inserts random blank samples into the assay stream. These blanks have consistently returned very low lithium and tantalum assays, as was anticipated. In addition, random pulps and rejects are submitted to other certified labs for checking or confirmation purposes.

For the most part on the Mt Cattlin Project, comparison of the results from the various different assays and labs indicate a high measure of confidence in the assay data. The assay labs utilized by Galaxy also have their own in house QAQC programs. These include standards, repeat analysis, duplicates and blanks. SGS state that as a minimum in every batch of 50 samples analysed there is one reagent blank positioned at the start of the rack; two certified reference materials randomly placed in the rack; one repeat sample randomly selected and placed at the end of the rack; and one duplicate sample selected at random placed at the end of the job. In addition, Galaxy inserts a blank in the field every 25 samples, and provides pulp standard material to SGS to insert at random every 25 samples.

Analytical Methods

Elements that are routinely analysed for are Li (method AAS40Q) and Ta, Nb and Sn (method XRF78O).

Routine lithium analysis is by AAS. The samples are digested using method DIG40Q, in which the sample is digested by nitric, hydrochloric, hydrofluoric and perchloric acids. The solution from the digest is then presented to an AAS for the quantification of Li, using method AAS40Q (lower and upper detection limits of 5ppm and 20,000ppm respectively). Samples over the Li upper limit are re-analysed using method AAS42S.

Ta, Nb and Sn, and in some cases SiO_2, Al_2O_3, CaO, Cr_2O_3, Fe_2O_3, K_2O, MgO, MnO, P_2O_5, SO_3, TiO_2 and $V2O_5$ are analysed by XRF using method XRF78O. This involves fusing the sample in a platinum crucible using lithium metaborate/tetraborate flux (one gram of sample in 2.75 g of flux). The resultant glass bead is then bombarded with X-rays and the elements of interest quantified.

In addition to the elements described above, selected samples (mainly from diamond core) were also analysed for Cs, Rb, Ga, Be, and Nb using method IMS40Q, in which the solution from the DIG40Q digest is presented to an ICPMS for the quantification of elements of interest.

In addition to analysis of standard reference material supplied by Galaxy, SGS carried out analysis of the laboratories internal standard reference material, as well as internal laboratory duplicate and repeat sample analysis. Duplicate sample analysis, is a re-assay from a separate split of the total pulverised sample taken by SGS. Repeat sample analysis, is a repeat sample taken by SGS from the 200 g pulp.

Data Verification

Checks undertaken by Galaxy to confirm the validity of the data in the sampling database include:

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- Assay values are routinely compared to geological logging of mineralised units, and surrounding holes;
- Comparative drilling (drill hole twinning) over some areas was undertaken to assess the repeatability of the local mineralization;
- Checking between, and within data tables in the supplied database was done for internal consistency;
- For the majority of sampling from Galaxy's drilling which dominates the resource datasets, a cross section of the results from laboratory source files and hard copies supplied by Galaxy (where available and applicable) with entries in the supplied database to assess the prevalence of transcription errors; and
- Comparisons between assay results from different sampling phases.

Robert Spiers, co-author of the Technical Report, considers that the resource data has been adequately verified to form the basis of the current Mineral Resource estimates.

Mineral Resource and Ore Reserve Estimates

The Mineral Resource and Ore Reserve estimates set forth below were categorized using the JORC Code. The JORC Code classification of mineral resources and ore reserves is substantially similar to the classifications of mineral resources and mineral reserves of the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM").

Mineral Resources

The following table details the Mineral Resources for the Mt Cattlin Property as at December 2011 at a cut off grade of 0.4% Li_2O.

Resources	Tonnes	Li_2O (%)	Ta_2O_5 (ppm)
Measured	3,192,000	1.17	149
Indicated	10,613,000	1.06	168
Measured + Indicated	13,806,000	1.09	164
Inferred	4,382,000	1.07	132

The Mineral Resources estimation was undertaken by Mr Robert Spiers of Hellman & Schofield, after verifying the quality of the drill hole database and analyzing the results of the QA/QC work undertaken by Galaxy.

Ordinary kriging of 1 m down-hole composited grades was employed as an estimator of resource block grades, and both the resource blocks and sample points were constrained by 3D-wireframes of mineralisation supplied by Galaxy. Block dimensions (20 mN by 20 mE, by 2.5 mRL) and sample search parameters were chosen after performing variographic analyses of lithium, tantalum, and niobium grades and the consideration of drill hole spacing and likely mining bench heights. Classification of the confidence category for blocks within the resource model is based on a measure of the number of composite samples incorporated within search ellipsoids and the number of quadrants in which these sample points occur. Measured blocks reported more than 12 samples, within search ellipsoids with radii of 40 mE by 40 mN by 5 mRL. Indicated and Inferred blocks were categorized on the basis of a search ellipsoid with radii 80 mE by 80 mN by 10 mRL, and reported more than 12 or more than 6 samples, respectively. The resulting resource block model was validated and verified both manually and by comparing resource block statistics with the original composite grades.

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Ore Reserves

Ore Reserves for the Mt Cattlin Property, updated and depleted to the end of December 2011, are classified in accordance with the JORC Code and set out in the following table (cut-off grade of 0.4%).

Reserves	Tonnes	Li_2O (%)	Ta_2O_5 (ppm)
Proved	2,803,000	1.09	136
Probable	7,933,000	1.03	150
Total	**10,737,000**	**1.04**	**146**

Mr. Jeremy Peters of Snowden, who acted as the qualified person with respect to the Ore Reserve estimates, reviewed the Ore Reserves as well as the assumptions used to derive such figures, and formed the view they were valid and reasonable.

The Ore Reserves presented above are based on operational integration of the mining and spodumene processing facility at Mt Cattlin, with the lithium carbonate production facility at Jiangsu. The Ore Reserves were produced by Mr Roselt Croeser of Croeser Pty Ltd using Gemcom Whittle pit optimization software in conjunction with open-pit mine design and life-of-mine scheduling. These studies take into account likely economic returns, mining and processing costs, geotechnical factors, and other operating constraints on the open pit mine and the processing plants at Mt Cattlin and Jiangsu.

Key assumptions include 10% dilution and 95% recovery of ore during open pit mining, and metallurgical recoveries of 75% for the spodumene plant and 85% for the lithium carbonate plant. A mining cut-off grade of 0.4% Li2O is employed, in order to maintain the head grade for optimal operational efficiency of the spodumene processing plant.

Mining Operations

Mining Method

The mine is based on conventional open-pit mining and processing of an initial Ore Reserve of 11.5 million tonnes of ore over a 13 to 14 year period (from start date) from the Cattlin Creek ore body. The relatively flat lying ore body allows mining to proceed at a reasonably constant strip ratio once the ore is uncovered. Mining will be carried out using an excavator and truck combination, delivering to a conventional crushing and heavy media separation gravity recovery circuit.

Contractors will be engaged for grade control drilling and earthmoving operations (drilling, blasting, load, haul and ancillary work) for the open-cut mining operation.

Galaxy commenced with pre-stripping of open pit areas in early 2010, and the first ore was mined during June 2010. There were initially production rate problems, associated with the selection of inappropriate equipment. These problems have been overcome and a degree of overcapacity in the mining fleet has allowed production to incrementally catch up to schedule.

Metallurgical Processing

The plant located at the Mt Cattlin Property, which produces spodumene concentrate, consists of a four-stage crushing circuit producing a -6mm product from run of mine ore at a treatment rate of 1 million tonnes per annum. The crushing plant runs on day shift only, providing feed to an ore bin, which feeds the concentrator on a continuous 24 hour per day basis.

The key process steps are:

- Open pit mining

- 4 stage crushing and screening of ROM ore to -6mm
- Screening at 0.5 mm
- Mica removal from the +0.5 mm ore fraction in a reflux classifier
- Dense medium separation of the +0.5 mm ore fraction, to produce (at design rate) 137,000 tonnes per annum of spodumene concentrate at 6% Li2O
- Shipment of spodumene concentrate through Esperance to Zhangjiagang in China
- Gravity concentration by spirals and wet tables of the -0.5 mm ore fraction, to produce a tantalite concentrate.

As previously mentioned, Galaxy is developing the Jiangsu Plant, a wholly owned battery grade lithium carbonate plant located in the Yangtze River International Chemical Industrial Park of the Zhangjiagang Free Trade Zone in the Jiangsu Province of the PRC, 80 km northwest of Shanghai. Galaxy's spodumene feed will be shipped from Esperance in Western Australia and unloaded at the Zhangjiagang port at a wharf that is less than 500 m from the Jiangsu Lithium Carbonate Plant. The Chemical Industrial Park is occupied by approximately 3,380 enterprises including 40 international companies such as Dow Chemical, Dow Corning and Chevron Philips.

The key process steps of the Jiangsu lithium carbonate plant are:

- Ore conveying and stockpiling;
- Calcination (decrepitation);
- Milling;
- Sulphation;
- Leaching;
- Filtration;
- Impurity removal;
- Primary lithium carbonate crystallisation;
- Sodium sulphate crystallisation and drying;
- Bicarbonation;
- Secondary lithium carbonate crystallisation; and
- Drying and packaging.

The Jiangsu Plant has a nominal design production rate of 17,000 tpa of high quality lithium carbonate with a purity level of at least 99.5%, utilising 137,000 tpa of spodumene concentrate from the Mt Cattlin Property. Mechanical completion was achieved in December 2011 and first production was achieved in April 2012.

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Production Forecast and Mine Life

Galaxy has completed the construction of a 1 Mtpa processing facility at its Mt Cattlin Property site in Western Australia which will produce 137,000 tpa at 6.0% Li_2O spodumene concentrate over an estimated 14 year mine life (from start date). The Jiangsu Plant is designed to produce 17,000 tpa of lithium carbonate that is suitable for use in manufacturing battery cathode materials.

The table set forth below summarizes the physical outputs for the Mt Cattlin Project.

Physical Outputs at Mt Cattlin

Item	Unit	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025/6	Total[1]
Mt. Cattlin																
Ore mined	kt	1,369	1,597	1,701	1,949	460	858	1,288	1,692	997	-	-	-	-	-	**11,912**
Ore processed	kt	923	1,020	1,020	1,020	1,020	1,003	1,000	1,000	1,003	1,000	1,000	904	-	-	**11,912**
Grade processed	% Li_2O	1.23	1.22	1.18	1.26	1.11	1.27	1.29	1.12	1.00	0.59	0.57	0.57	-	-	**1.04**
Spod. conc. produced	kt	149	163	158	169	149	168	170	147	131	77	75	68	-	-	**1,623**
Spod. conc. shipped	kt	100	75	150	125	125	150	125	150	125	150	125	150	83	-	**1,623**
Jiangsu																
Spod. conc. received	kt	100	75	150	125	125	150	125	150	125	150	125	150	83	-	**1,623**
Spod. conc. processed	kt	72	137	137	137	137	137	137	137	137	137	137	137	110	-	**1,689**
LC produced	kt	7.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3	13.9	-	**211.8**
LC sales																
Tech. grade export	kt	0.2	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.2**
Tech. grade China	kt	3.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**3.0**
Battery grade export	kt	0.4	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	0.2	-	**48.6**
Battery grade China	kt	2.8	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	0.5	-	**123.3**
EV grade export	kt	0.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	-	**12.1**
EV grade China	kt	0.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.1	-	**24.6**

Notes:
1: Totals may not sum due to rounding.

Payback

Total capital expenditure for the mine at the Mt Cattlin Project was A$79 million and total capital expenditure for the Jiangsu Plant was A$100 million. This capital expenditure, which has already been incurred by Galaxy, is expected to be paid back over approximately the next five years.

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Markets

Lithium has a wide variety of end-use applications, including the manufacture of lithium-ion batteries, ceramics and glass, continuous casting, greases, rubbers, thermoplastics, pharmaceuticals, as well as in air conditioning, air treatment and aluminum smelting. Once extracted, the lithium ore is concentrated through a combination of physical separation processes into lithium mineral concentrate. This concentrate is either consumed directly in end-uses such as the manufacture of glass, ceramic or continuous casting, or converted into various lithium compounds and chemicals for input into other end-uses.

Roskill Information Services Ltd. ("Roskill") estimates that total demand of lithium in 2011 was approximately 142,000 tonnes of lithium carbonate equivalent ("LCE"), representing growth in demand of approximately 7.2% p.a. since 2000. According to Roskill, in 2009 demand for lithium fell by 13% to approximately 103,000 tonnes of LCE due to the effects of the global financial crisis, but recovered strongly in 2010 and 2011.

Roskill estimates that the largest uses of lithium are in the manufacture of ceramics and glass, which accounted for 30% of total demand in 2011, and the manufacture of lithium-ion batteries, which accounted for 28%. Other significant end-uses include the manufacture of greases, and in aluminum smelting, air treatment and continuous casting. Between 2000 and 2011, demand for lithium in the manufacture of lithium-ion batteries experienced the highest rate of growth of all end uses at approximately 25% p.a., and it was the only sector where consumption of lithium grew in 2009.

Roskill's view is that the medium-term outlook for lithium demand appears optimistic. As of early 2012, Roskill estimates that demand for lithium could increase by a compound annual growth rate of 6.3% per annum from estimated 2011 consumption levels to approximately 192,000 tonnes LCE by 2016.

According to Roskill, growth in demand for lithium will be driven by the lithium-ion battery sector, with demand for lithium in lithium-ion batteries forecast to increase from approximately 40,500 tonnes LCE in 2011 to approximately 67,000 tonnes LCE by 2016, representing a compound annual growth rate of 10.6%. Much of this growth is expected to driven by demand for lithium in rechargeable batteries for transport applications and grid storage. This is motivated by the recent commencement by major automotive manufacturers of the mass production of hybrid, plug-in and full electric vehicles using lithium-ion batteries and the continued growth in demand for consumer electronic devices such as tablets and smart phones. The replacement of lead-acid, nickel-metal hydride and nickel-cadmium batteries in other applications, such as power tools and e-bikes, is also contributing to current and future growth in demand for lithium.

Roskill estimates that total world production of lithium was approximately 161,000 tonnes LCE in 2011, having grown at approximately 8.3% p.a. between 2000 and 2011. Of this production, 50% (or 81,000 tonnes LCE) is estimated to have come from lithium minerals mined from hard rock sources, whilst 50% (or 80,000 tonnes LCE) came from brine production. Roskill estimates that lithium production fell to approximately 98,000 tonnes of LCE in 2009 due to the effects of the global financial crisis, but has since rebounded strongly.

There is no exchange traded market for lithium carbonate. However, prices can be estimated by considering the global average values of exports and imports of lithium carbonate.

According to Roskill, in 2011, 52% of total lithium carbonate demand was from the production of lithium-ion batteries. Consequently, the global average values of lithium carbonate exports and imports shown above are likely to include large quantities of "industrial grade" or "technical grade" lithium carbonate.

It is possible to estimate the pricing of lithium carbonate used in the manufacture lithium-ion batteries by considering the average value of lithium carbonate imports into Japan and South Korea, as both countries import lithium carbonate primarily for lithium-ion battery manufacture. The average values of lithium carbonate imports into Japan and South Korea were approximately US$5,350 / tonne and US$4,630 / tonne in 2011, which is higher than the global average value of lithium carbonate imports of approximately US$4,470 / tonne.

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Taxes

Galaxy will be required to pay corporate tax in both Australia and China. In Australia, the corporate tax rate is 30%. However, the Australian Government has released Exposure Draft legislation proposing to cut the corporate tax rate to 29% with effect from the year ended 30 June 2014 and later income years. It is not yet clear whether the Australian Government will be able to succeed in having this legislation passed by the Australian Parliament. Galaxy's taxation in Australia will also be subject to a transfer pricing arrangement for all internal transfers of spodumene concentrate from Australia to China. Galaxy is currently negotiating the transfer price with the Australian Tax Office and Chinese Tax authorities. In China, the corporate tax rate is 25%.

Galaxy is required to pay a royalty of 5% of gross invoice value of all spodumene concentrate sold (less any allowable deductions) to the state government of Western Australia. Galaxy is required to pay value added tax (VAT) of 17% of revenue on all export sales from China.

Galaxy is required to pay withholding tax of 5% on all dividends paid from China.

Offtake

To support its production, Galaxy has entered into offtake agreements covering all of its expected production of lithium carbonate with Mitsubishi Corporation for 5,000 tpa and 13 major cathode producers in the PRC for an aggregate of 12,000 tpa. These offtake framework agreements are legally binding between the parties to each of the agreements where the obligations to buy and sell are subject to the parties further agreeing the price of the product to be sold each quarter. None of these agreements include any take or pay obligations. The offtake agreements require Galaxy to produce lithium carbonate with a minimum purity level of 99.5% and impurities below a certain specification.

Under the terms of the offtake agreements with the 13 PRC customers, each customer is granted priority customer status and the Galaxy guarantees to supply minimum agreed annual quantities to these priority customers for five years. However, if these customers do not purchase the minimum agreed annual quantities for any contract year, Galaxy can terminate that customer's status as a priority customer.

Under the terms of the offtake agreement with Mitsubishi Corporation, Mitsubishi Corporation will make reasonable efforts to purchase 5,000 tpa of lithium carbonate production over a five year term. This agreement also appoints Mitsubishi Corporation as exclusive distributor of our product in Japan for a period of five years from date of first shipment.

Environmental

During the design and construction of the mine and processing facilities at the Mt Cattlin Project, Galaxy took into account the environmental issues and requirements of the Department of Minerals and Petroleum ("DMP") in Western Australia.

Galaxy's Mining Proposal and associated Project Management Plan provided a framework for managing the environmental impacts of mining activities to within nominated acceptable limits. The Mining Proposal provides for acceptable levels of environmental impact and the associated control measures that have been developed to mitigate the impacts to achieve the following objectives:

- Good stewardship of natural resources, consistent with safe and efficient mining practice;
- Minimal disturbance of land;
- Conservation of flora and fauna habitats;
- Protection of sites of cultural and spiritual significance;

- Confirmation of the success of impact control measures by means of monitoring and audits;
- Compliance with all statutory requirements;
- Rehabilitation to a stable land form and an acceptable post-disturbance land use and land capability; and
- Preservation of downstream water quality.

The environmental impacts arising from the development and operation of the Mt Cattlin Property are mostly associated with land disturbance and waste disposal.

Exploration and Development

Galaxy will continue conducting exploration and sampling at the Mt Cattlin Property in conjunction with ongoing mining activities, including:

- Extension drilling where mineralisation is still open, such as portions of the north west zone;
- Follow up work on the deeper pegmatite horizons that have been intersected in the few deeper holes drilled beneath the resource, to determine their extent and grade;
- Additional infill drilling to upgrade the category of Inferred Mineral Resources contained within the pit shells;
- Geophysics to assist in detecting blind pegmatite horizons; and
- Further work at the outcropping pegmatites.

Galaxy intends to continue optimizing processing activities at the Mt Cattlin Property. Key initiatives will include:

- Further reducing the wear rates on certain pieces of equipment through replacement with more suitable wear resistant materials;
- Achieving a higher level of mica removal to increase in spodumene concentrate quality; and
- Continuing to progress designs for two additional bores.

At the Jiangsu Plant, which achieved first production of lithium carbonate in April 2012, Galaxy intends to continue with commissioning and ramp-up to the design capacity of 17,000 tpa high quality lithium carbonate.

Other Projects

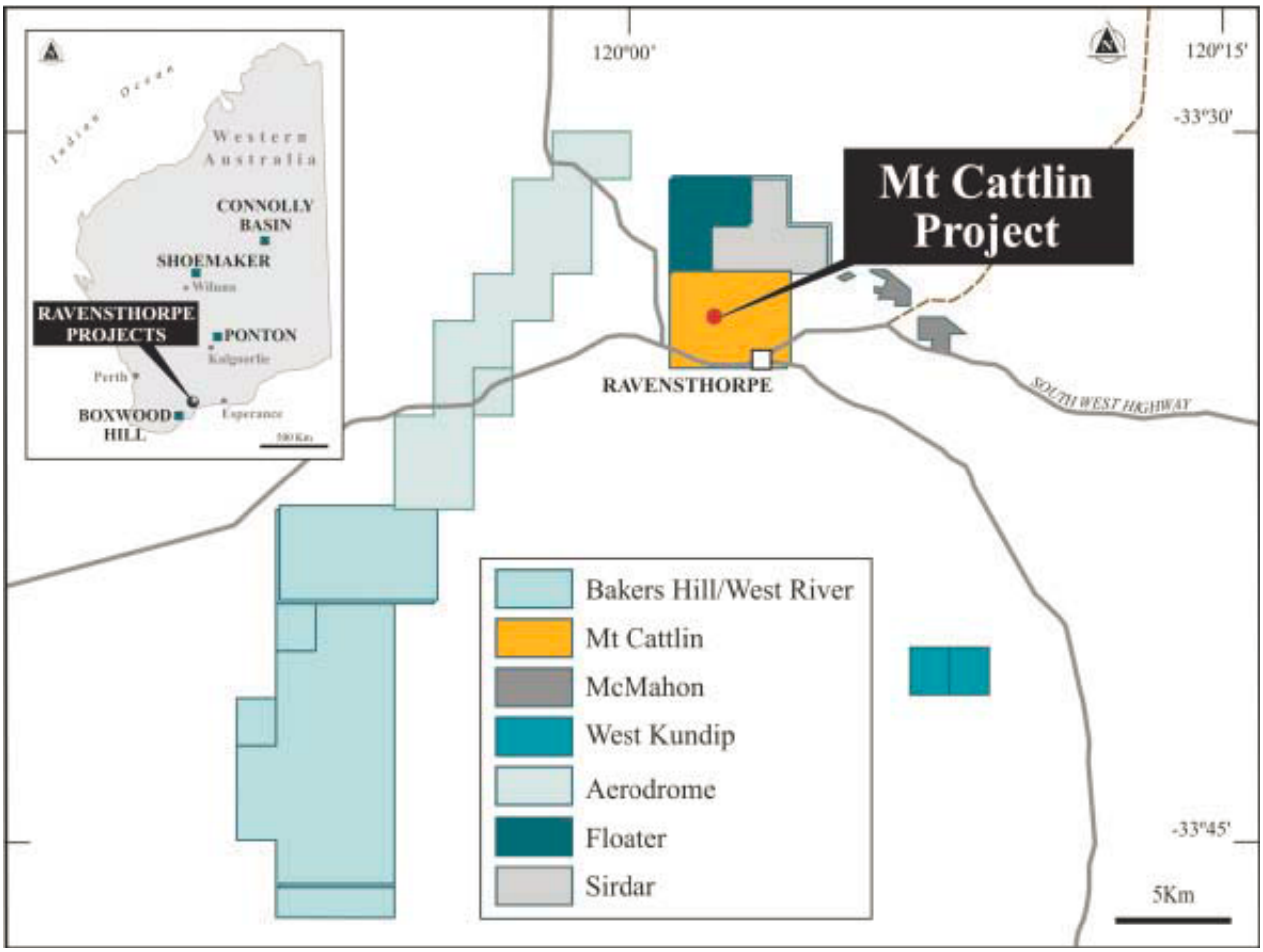
West Australian Mineral Projects

In addition to the Mt Cattlin Property, Galaxy has a number of other mineral projects located in Western Australia. These projects are early stage exploration projects that are not currently considered material to the Galaxy. These projects are prospective for a variety of mineral, including lithium, base metals, precious metals, rare earths, iron ore and manganese. Brief details are set out below, along with a map showing the locations.

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Project Name	Target Mineral	Tenement	Type of Tenement	Status	Co Holder Details	Exploration Work Undertaken
Aerodrome	Lithium, Nickel and Gold	E74/334	Exploration Licence	Granted	100% Owned	Exploration by previous owners focused on nickel and gold mineralization. Galaxy's exploration efforts have focussed on the lithium and tantalum potential of identified pegmatites.
		E74/398	Exploration Licence	Granted	100% Owned	
Bakers Hill	Lithium, base and precisions metals	E74/287	Exploration Licence	Granted	100% Owned	Galaxy has undertaken geological surveys and rock chip sampling targeting lithium mineralization. Approval is awaited to commence drilling on several targets.
		E74/295	Exploration Licence	Granted	100% Owned	
		E74/299	Exploration Licence	Granted	100% Owned	
		E74/415	Exploration Licence	Granted	100% Owned	
Boxwood Hill	Base and precious metals	E70/2493	Exploration Licence	Application	100% Owned	Galaxy has carried out rock chip sampling and reconnaissance over a magnetic anomaly.
		E70/2513	Exploration Licence	Granted	100% Owned	
		E70/2514	Exploration Licence	Granted	100% Owned	
		E70/2547	Exploration Licence	Application	100% Owned	
Connolly Basin	Base and precious metals	E69/1878	Exploration Licence	Application	100% Owned	No work has been undertaken on the tenements as they are still in application.
Floater	Lithium	E74/400	Exploration Licence	Granted	100% Owned	Contains outcropping pegmatite zones with anomalous, but potentially sub-economic lithium values.
		P74/307	Prospecting Licence	Granted	100% Owned	
		P74/308	Prospecting Licence	Granted	100% Owned	
Ponton	Rare earths and uranium	E28/1317	Exploration Licence	Application	100% Owned	Galaxy has completed a desktop review of the previous exploration work, which identified significant rare earths mineralisation. Galaxy continues to progress the tenement application.
		E28/1830	Exploration Licence	Application	100% Owned	
Sirdar	Lithium	E74/401	Exploration Licence	Granted	20% Traka Resources Ltd	Contains outcropping pegmatite zones with anomalous, but potentially sub-economic lithium values.
		P74/309	Prospecting Licence	Granted	20% Traka Resources Ltd	
		P74/310	Prospecting Licence	Granted	20% Traka Resources Ltd	
Shoemaker	Iron ore and manganese	E69/1869	Exploration Licence	Granted	80% General Mining	General Mining took over as manager of Shoemaker in December 2009. A technical review and RC drilling program undertaken confirmed the potential for iron ore and manganese mineralisation,
		E69/1870	Exploration Licence	Granted	80% General Mining	
		E69/1871	Exploration Licence	Granted	80% General Mining	
West Kundip	Manganese and dolomite	M74/133	Mining Lease	Granted	100% Owned	Galaxy has undertaken mapping, sampling and minor drilling over manganese anomalies. Identified by an aerial electromagnetic survey.
		M74/238	Mining Lease	Granted	100% Owned	

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James Bay Project

In December 2010, Galaxy entered into a non-binding memorandum of understanding with Lithium One to acquire up to 70% of the James Bay Project. Galaxy entered into a binding, formal agreement with Lithium One in February 2011 ("Formal Agreement"). The key terms of the proposed acquisition are:

- Galaxy may acquire a 20% interest in the James Bay Project for C$3 million cash ("Initial Interest"). Galaxy acquired the Initial Interest in May 2011;
- Galaxy will earn a further 31% interest in the James Bay Project, taking its total ownership to 51%, by:
  - spending C$3 million towards a definitive feasibility study within 12 months of acquiring the Initial Interest (such period is extendable by an additional 12 months); or
  - delivering the completed definitive feasibility study to Lithium One at a cost of less than C$3 million;
- Galaxy will earn a further 19% interest in the James Bay Project, taking its total ownership to 70%, by:
  - solely funding any cost in excess of C$3 million to deliver a completed definitive feasibility study to Lithium One if the cost to complete the definitive feasibility study is greater than C$3 million; or
  - if the cost to complete the definitive feasibility study is less than C$3 million, by paying to Lithium One an amount equal to C$3 million, less the cost to complete;

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- on earning at least a 51% interest in the James Bay Project, Lithium One and Galaxy will enter into an unincorporated joint venture and negotiate and sign an unincorporated joint venture agreement on terms attached to the Formal Agreement; and

- after the unincorporated joint venture is formed, Galaxy will have exclusive rights to the promotion, marketing and sale of all spodumene or lithium carbonate and by-products from the James Bay Project, provided that Lithium One has held discussions with Owens Corning Sales, LLC ("Owens Corning") prior to the date of execution of the Arrangement Agreement, regarding a possible sale to Owens Corning on behalf of the joint venture of spodumene and lithium carbonate products and byproducts produced by the James Bay Project or from the relevant tenements. Any introduction or success fee payable in respect of the conclusion of such sales arrangement on behalf of the joint venture will be for the exclusive benefit of Lithium One.

However, if the Arrangement is completed, Galaxy will hold 100% of the James Bay Project.

The James Bay Project is a spodumene pegmatite deposit located in Québec, Canada, adjacent to key infrastructure including high-tension power lines, roads and readily accessible water. It contains an Indicated Mineral Resource of 11.75 million tonnes at 1.3% lithium oxide and an Inferred Mineral Resource of 10.47 million tonnes at 1.2% lithium oxide. The deposit occurs near the surface and is expected to be suitable for open pit mining.

Preliminary test work shows that the spodumene ore at the James Bay Project has a similar coarseness to the Mt Cattlin Property and Galaxy expects that similar processing methods could be adopted. Galaxy expects this will allow the definitive feasibility study to be completed quickly and cost effectively.

In September 2011, Galaxy commenced a definitive feasibility study on the James Bay Project. A Montreal-based engineering services consultancy firm, Genivar Inc., has been appointed to manage the study, DRA Americas Inc. has been engaged for the processing plant design component of the study and Hatch Engineering, the Jiangsu Plant EPCM contractor, has been engaged for the lithium carbonate plant design component.

For more information on the James Bay Project please refer to "***Mineral Resources Evaluation, James Bay Lithium Project, James Bay, Québec, Canada***" dated January 5, 2011 (SEDAR filing February 16, 2011 – Lithium One Inc.).

Lithium-Ion Battery Project

Consistent with its strategy of becoming a leading, vertically integrated producer of high quality lithium related products, Galaxy has conducted a feasibility study evaluating a potential Lithium-Ion Battery Project, located in the Jiangsu Eco-Friendly New Materials Industrial Park in Zhangjiagang, PRC.

Galaxy envisages production of high quality, lithium-ion battery packs for E-bikes at a rate of 620,000 per annum. Galaxy's current intention is that the battery packs will have a capacity of 10Ah and 36V. Galaxy estimates capital costs for the Lithium-Ion Battery Project to be US$142 million with expected annual revenue of A$142 million and average pre-tax net cashflows of A$68 million per annum. The non-geared, pre-tax net present value of the Lithium-Ion Battery Project at a 10% discount rate is estimated at A$365 million, with an IRR of approximately 43%.

Galaxy is evaluating using KUBT Inc. ("**KUBT**") as a turn-key supplier of the equipment for the Lithium-Ion Battery Project and has entered into a non-binding memorandum of understanding with Hagi Bridge Co., Ltd., the team leader of the KUBT consortium. KUBT is a group of equipment suppliers covering different aspects of the battery manufacturing process that have formed a consortium to provide plant design and equipment supply services. Galaxy expects that this strategy will enable it to procure all the necessary plant and equipment from a single supplier on a turn-key basis. Members of the KUBT consortium have supplied equipment to large and reputable lithium-ion battery producers including LG Chemical and Samsung.

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Galaxy has entered into a memorandum of understanding with M+W Shanghai Co., Ltd., for the provision of initial engineering services for the Lithium-Ion Battery Project's plant, comprising plant layout, budget estimates and commissioning of the plant in conjunction with KUBT.

Galaxy has also signed a technology licence agreement with US-based lithium ion battery producer K2 Energy Solutions. Under the agreement, K2 will provide Galaxy with battery technology expertise, licensing and commercial support for the construction and operation of Galaxy's proposed battery manufacturing plant in the PRC.

Galaxy has recruited an experienced management team for this initiative and has also commenced the process of investigating and obtaining the required approvals, and negotiating agreements with contractors, customers and suppliers.

In November 2010, Galaxy signed a non-binding letter of intent with the Zhangjiagang Free Trade Zone Administrative Committee, for the use of a 10 hectare site located in the Jiangsu Eco-Friendly New Materials Industrial Park. The site will have access to key utilities and infrastructure and is located near the Jiangsu Plant. A number of conditions must be satisfied before entering into a binding agreement, including taking part in a public bidding process for the land use rights.

Galaxy has also signed off-take framework agreements with electric bicycle manufacturers for 80% of the planned production (as at the date of this circular) from the Lithium-Ion Battery Project. In August 2011, Galaxy was also approached by five Chinese banks which registered interest in providing debt funding for the Lithium-Ion Battery Project.

Development of the Lithium-Ion Battery Project remains at a preliminary stage and Galaxy is not yet in a position to commit to the Lithium-Ion Battery Project in the near future or at all.

DIVIDENDS OR DISTRIBUTIONS

Since the date of its incorporation, Galaxy has not generated any profits and as such, has not declared or paid any dividends. For the foreseeable future, Galaxy intends to take advantage of the rapidly emerging opportunities in the global lithium industry and will be seeking to maximize growth and development by reinvesting profits generated back into the business. Galaxy will review the dividend policy on an annual basis.

Galaxy may only pay dividends if it meets the requirements of the Corporations Act 2001, including that Galaxy's assets exceed its liabilities immediately before the dividend is declared, the excess is sufficient for the payment of the dividend, the payment of the divided is fair and reasonable to the company's shareholders as a whole and the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

Management's Discussion and Analysis

This management's discussion and analysis should be read in conjunction with the historical consolidated financial statements of Galaxy and the notes thereto included in the section entitled Financial Statement Disclosure for Issuers within this appendix. This management's discussion and analysis is current as at the date of this Circular. The consolidated financial statements of Galaxy and the financial information contained in this management's discussion and analysis were prepared in accordance with IFRS. All amounts in this management's discussion and analysis are expressed in Australian dollars unless otherwise identified.

The following discussion contains forward-looking statements that involve numerous risks and uncertainties. Galaxy's actual results could differ materially from those discussed in such forward looking statements as a result of these risks and uncertainties, including those set forth in the section entitled Risk Factors within this appendix.

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Selected Annual Information

For Galaxy's financial results from its two most recently completed financial statements see the section entitled Financial Statement within this appendix.

Results of Operations

Cash position as at December 31, 2011

At December 31, 2011 Galaxy's maintained a cash and cash equivalents position of A$17,996,933, which represents a decrease of A$9,512,634 from the year end December 31, 2010 of A$27,509,567. The reduction in the cash position is primarily due to the various cash outflows Galaxy has incurred during the commissioning and ramp-up of the Mt Cattlin Property and the construction of the Jiangsu Plant.

Year ended 31 December, 2011 as compared to year ended December 31, 2010

For the year ended December 31, 2011, Galaxy reported revenue of A$187,417 and a net loss of A$130,486,966 or 0.47 cents per share. This is compares with nil revenue and a net loss of A$33,036,118 or 0.17 cents per share for the year ended December 31, 2010.

The year ended December 31, 2011 represents the first full year of operation at the Mt Cattlin Property, this is in comparison to slightly less than three months of operation in the year ended December 31, 2010. The table below summarises the key operating statistics for Galaxy's mining and processing activities at the Mt Cattlin Property during the years ended December 31, 2011 and December 31, 2010.

Mt Cattlin Property Production Statistics	**Year ended December 31, 2011**	**Year ended December 31, 2010**
Ore Mined (Tonnes)	616,714	97,806
Grade (Li_2O %)	1.11	1.00
Waste Mined (BCM)	1,975,188	1,229,134
Ore Treatment (Tonnes)	628,779	57,934
Grade (Li_2O %)	1.19	1.06
Spodumene Produced (Dry Tonnes)	63,863	1,644
Grade (Li_2O %)	6.18	6.20

Galaxy recorded its maiden sales revenue of A$187,417 from the sale of a small amount of spodumene produced at its Mt Cattlin Property to an external party, during the year ended December 31, 2011. This is the first year Galaxy has generated revenue via its Mt Cattlin Property. The vast majority of spodumene from Galaxy's Mt Cattlin Property is sold to a Galaxy subsidiary and as such, does not generate revenue for Galaxy. Revenue for the year ended December 31, 2010 was nil due to no sales being made during the commissioning and ramp-up period at the Mt Cattlin Property.

Depreciation and amortisation increased A$4,400,089 from A$169,925 in the year ended December 31, 2010 to A$4,570,014 in the year ended December 31, 2011. Galaxy incurred an increase in depreciation and amortisation in the year ended December 31, 2011 due to having a larger amount of property, plant and equipment (A$185,277,427 for the year ended December 31, 2011 compared with A$145,397,992 for the year ended December 31, 2010). Additionally, the Mt Cattlin Property was transferred from assets under construction to plant and equipment on 1 June 2011, allowing depreciation and amortisation to commence.

Galaxy incurred an impairment charge on mining, property, plant and equipment of A$42,034,000 for the year ended December 31, 2011. This charge was not incurred in the year ended December 31, 2010. The impairment charge was incurred due to the increased time period required for ramp-up and commissioning, as well as increased

capital costs associated with the Mt Cattlin Property, in addition to an unfavourable exchange rate movement. The resulting impairment charge of A$42,034,000 recorded in the year ended December 31, 2011 has been recognised through Galaxy's statement of comprehensive income and has been allocated to the following asset classes:

- Development expenditure - A$8,376,538; related to the historical exploration and development costs at the Mt Cattlin Property; and

- Plant and equipment - A$33,657,462; related to the pre-commencement operating costs at the Mt Cattlin Property.

Galaxy incurred mine operating expenses at the Mt Cattlin Property of A$27,531,697 in the year ended December 31, 2011, this was the first year Galaxy has incurred this expense and coincides with the first full year of operations at the Mt Cattlin Property. The expenditure is recognised in the statement of comprehensive income since 1 June 2011.

For the year ended December 31, 2011, finance costs increased by A$21,818,866 to A$27,168,203 from A$5,349,337 for the year ended December 31, 2010. The primary drivers of this increase in finance costs include:

- A$7,796,478 interest expense on Galaxy's financial liabilities for the year ended December 31, 2011, up from A$1,813,455 for the year ended December 31, 2010;

- A$4,568,171 downward revision of fair value of Galaxy's Convertible Bonds. Galaxy did not incur this charge in the year ended December 31, 2010 having completed the bond issuance on November 8, 2010; and

- A$12,497,321 amortisation cost incurred for the year ended December 31, 2011 as compared to A$510,683 for the year ended December 31, 2010.

Galaxy recorded a net cash shortfall from operating activities of A$57,333,480 for the year ended December 31, 2011, compared with an operating cash shortfall of A$16,674,002 for the year ended December 31, 2010. The shortfall was primarily due to the increased cash payments for suppliers and contractors, which increased to A$58,255,866 for the year ended December 31, 2011 compared with A$16,674,002 for the year ended December 31, 2010. The cost increase is reflective of the first full year of operations at the Mt Cattlin Property.

Net cash used for investing activities decreased for the year ended December 31, 2011 to A$90,797,167 from A$127,460,105 for the year end December 31, 2010. This change is largely driven by investment in property, plant and equipment, which was A$84,826,130 in the year ended December 31, 2011, down from A$125,872,654 in the year ended December 31, 2010 as construction of the Mt Cattlin Property and subsequently, the Jiangsu Plant was completed.

Galaxy generated A$136,805,736 in net cash from financing activities for the year ended December 31, 2011 compared with A$93,366,470 during the year ended December 31, 2010. Factors impacting this change include:

- Proceeds from the issue of shares were A$150,150,000 for the year ended December 31, 2011 compared with A$34,514,625 for the year ended December 31, 2010. These figures are prior to transaction costs incurred during the capital raisings, which were A$7,131,137 for the year ended December 31, 2011, and A$1,685,288 for year ended December 31, 2010;

- Proceeds from borrowings were A$62,094,479 for the year ended December 31, 2011 compared with A$158,380,353 for the year ended December 31, 2010;

- Repayment of borrowings for the year ended December 31, 2011 was A$106,589,433 compared with A$44,081,022 for the year ended December, 31 2010; and

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- A$45,825,642 of previously restricted cash became available in the year ended December 31, 2011 due to Galaxy having repaid the Senior Loan Facility, which required cash to be set aside for principal and interest payments. In the year ended December 31, 2010 Galaxy made a restricted cash deposit of A$51,563,466 having drawn down on the Senior Loan Facility.

Year ended 31 December, 2010 as compared to six months ended December 31, 2009

For the year ended December 31, 2010 and the six months ended December 31, 2009, Galaxy did not generate revenue from operations. For the year ended December 31, 2010 Galaxy reported a net loss of A$33,036,118 or 17 cents per share, compared to a net loss of A$12,321,992 or 12 cents per share for the six months ended December 31, 2009.

During the year ended December 31, 2010 Galaxy incurred greater costs on employees and suppliers as employee numbers increased in line with operations commencing at Mt Cattlin and other feasibility activities occurring.

Galaxy did not record revenue for the year ended December 31, 2010 or for the six months ended December 31, 2009.

Depreciation and amortisation increased from A$21,162 during the six months ended December 31, 2009 to A$169,925 for the year ended December 31, 2010. Galaxy had more property, plant and equipment as at December 31, 2010 of A$145,397,992, compared to A$20,815,172 as at December 31, 2009. Furthermore, the higher depreciation and amortisation figure for the year ended December 31, 2010 reflects a 12 month period, as opposed to the six month period ended December 31, 2009.

Galaxy's staff costs increased to A$5,101,723 in the year ended December, 31, 2010 from A$1,107,174 in the six months ended December 31, 2009. This increase in costs is reflective of contributions to defined contribution retirement plans increasing to A$210,354 during the year ended December 31, 2010 from A$78,553 in the six months ended December 31, 2009. Salaries, wages and other benefits also increased between the periods. Galaxy incurred A$4,891,369 in salaries, wages and other benefits for the year ended December 31, 2010 compared to A$1,028,621 for the six months ended December 31, 2009. The increase reflects a 12 months period compared to a six month period and increased staffing levels as Galaxy's activities ramped up.

Galaxy incurred charges associated with its attempted listing on the Hong Kong Stock Exchange of A$3,022,314 during the year ended December 31, 2010. Galaxy did not incur this charge for the six months ended December 31, 2009 given this period was prior to Galaxy's contemplation of the listing. The listing was subsequently postponed on March 14, 2011 due to unfavourable financial market conditions.

Galaxy's operating expenditure was A$3,584,335 for the year ended December 31, 2010 compared with A$642,096 for the six months ended December 31, 2009. The increased operating expenditure was primarily due to increased activity involved with the development of the both the Mt Cattlin Property and the Jiangsu Plant.

Galaxy recorded finance income of A$4,841,880 for the year ended December 31, 2010 compared with A$483,894 for the six months ended December 31, 2009. The increase was driven by interest income from cash assets of A$1,233,786 and a net foreign exchange gain of A$3,608,094 for the year ended December 31, 2010 compared with interest income of A$483,894 and nil foreign exchange gains for the six months ended December 31, 2009.

Galaxy recorded a net cash shortfall from operating activities of A$16,674,002 for the year ended December 31, 2010 compared with an operating shortfall of A$4,935,780 for the six months ended December 31, 2009. For both the periods, the net cash shortfall from operating activities was driven by payments to suppliers and contractors and the increase reflected a twelve month time period compared to a six month time period and increased activity.

Net cash used in investing activities increased to A$127,460,105 in the year ended December 31, 2010 from A$9,261,347 in the six months ended December 31, 2009. The primary difference between the two time periods was the A$125,872,654 for the acquisition of property, plant and equipment in the year ended 31, 2010 compared to

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A$7,249,071 in the six months ended 31, December 2009. The increased investment related the capital expenditure required for the development of the Mt Cattlin Property.

Net cash generated from financing activities was A$93,366,470 in the year ended December 31, 2010 compared to A$93,690,468 for the six months ended December 31, 2009. A comparison of the key differences between the time periods is shown below:

- For the year ended December 31, 2010 Galaxy's net proceeds for the issuance of shares was A$32,829,337 compared with A$71,915,411 for the six months ended December 31, 2009;
- Proceeds from borrowing were A$158,380,353 for the year ended December 31, 2010 compared with A$21,810,252 for the six months ended December 31, 2009 due to Galaxy drawing down on the Senior Loan Facility and issuing convertible bonds; and
- During the year ended December 31, 2010 Galaxy repaid A$44,081,022 in borrowings in addition to making a restricted deposit of A$51,563,466 (as part of the terms of Galaxy's Senior Loan Facility). Galaxy did not repay any borrowings or make and restricted deposits during the six months ended December 31, 2009.

The cash and cash equivalents balance as at December 31, 2010 was A$27,509,567 compared with A$83,441,378 as at December 31, 2009.

Financing Activities, Liquidity and Capital Resources

Management of Liquidity Risk

Liquidity risk represents the risk that Galaxy will not be able to meet its financial obligations as they fall due. Galaxy's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Galaxy's reputation.

Typically, Galaxy ensures that it has sufficient cash and cash equivalents to meet expected expenses for a period of 90 days, including the servicing of financial obligations.

The following are the undiscounted contractual maturities of financial liabilities, including estimated interest payments:

As at December 31, 2011:

	Carrying Amount (A$)	**Undiscounted Contractual cash outflows (A$)**	**Within 1 year or on demand (A$)**	**More than 1 year but less than 2 years (A$)**	**More than 2 years but less than 5 years (A$)**	**More than 5 years (A$)**
Other Payables	26,980,506	26,980,506	26,980,506	-	-	-
Unsecured Bank Loans	33,499,404	37,770,283	5,908,551	13,616,425	18,245,306	-
Convertible Bonds	66,068,191	78,720,000	4,920,000	4,920,000	68,880,000	-
Total	**126,548,101**	**143,470,789**	**37,809,057**	**18,536,425**	**87,125,306**	-

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As at December 31, 2010:

	Carrying Amount (A$)	Undiscounted Contractual cash outflows (A$)	Within 1 year or on demand (A$)	More than 1 year but less than 2 years (A$)	More than 2 years but less than 5 years (A$)	More than 5 years (A$)
Other Payables	12,123,127	12,123,127	12,123,127	-	-	-
Secured Bank Loans	91,078,868	122,572,605	7,324,994	25,141,028	25,141,028	20,958,016
Convertible Bonds	32,000,000	44,800,000	2,560,000	2,560,000	2,560,000	-
Bank Loan – Letter of Credit	7,636,968	7,764,592	7,764,592	-	-	-
Total	**142,838,963**	**187,260,324**	**29,772,713**	**27,701,028**	**27,701,028**	**20,958,016**

It is not expected that actual cash flows will occur significantly earlier or in significantly different amounts from those shown in the maturity analysis above.

Capital Commitments

Capital commitments outstanding as at each balance sheet date not provided for in the financial statements are as follows:

Mining Tenements:

In order to maintain current rights of tenure to mining tenements, Galaxy will be required to perform the minimum exploration work to meet the minimum expenditure requirements specified by the Western Australian State Government. The estimated exploration expenditure commitment for the ensuing year, but not recognised as a liability in the balance sheet is as follows:

	December 31, 2011	December 31, 2010
Within one year:	A$613,300	A$606,180

This expenditure will only be incurred should Galaxy retain its existing level of interest in its various exploration areas and provided access to tenements is not restricted. These obligations will be fulfilled in the normal course of operations, which may include exploration and evaluation activities. Tenure to tenements can be released by Galaxy and returned to the Australian Government after one year. The remaining period of tenement tenure is optional, and as such, the minimum expenditure requirements relating to mining tenements fall within one year.

Construction Contract Commitments:

	December 31, 2011	December 31, 2010
Contracted for:	A$23,890,278	A$27,893,048

The construction contract commitments include various capital commitments for property, plant and equipment as at each balance sheet date.

Operating Leases:

As at December 31, 2011 and December 31, 2010 respectively, the total future minimum lease payments under non-cancellable operating leases are as follows:

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	December 31, 2011	December 31, 2010
Within one year	397,413	354,639
More than one year but less than five years	135,524	443,163
Total	**532,937**	**797,802**

Galaxy is the lessee in respect to some items of plant and machinery and office equipment that are currently held under operating leases. The leases typically run for an initial period of three years, with an option to renew the lease when all terms are terminated. None of the leases include contingent rentals.

Financial Position

Galaxy is currently in the process of mining and processing hard rock lithium minerals at the Mt Cattlin Property and has constructed the Jiangsu Plant. In order to finalise the commissioning and ramp-up of the Jiangsu Plant over the coming twelve months, Galaxy intends to utilize equity contributions together with loans from China Construction Bank, Shanghai Pudong Development Bank Co and Industrial and Commercial Bank of China.

During June 2011, Galaxy entered into unsecured finance agreements with China Construction Bank Limited for facilities totalling RMB 379.6 million, approximately A$58 million. As at December 31, 2011 these have been drawn to RMB 216.5 million, approximately A$33.5 million. At December 31, 2011 Galaxy had available cash of A$18 million and undrawn facilities in China of A$24.5 million.

In March 2012, Galaxy entered into a further unsecured funding facility with Shanghai Pudong Development Bank Co., Ltd for RMB 84 million, approximately A$13 million of which is repayable in three years from the date of drawdown.

As at March 31, 2012, Galaxy had available cash of approximately A$11 million.

In April 2012, galaxy entered into a further unsecured funding facility with the Industrial and Commercial Bank of China for RMB 182 million, approximately A$28 million of which is repayable in five years from the date of drawdown. As at April 30, 2012, Galaxy had undrawn facilities in China of A$31 million (RMB 201 million).

In April 2012, in support of the proposed merger with Lithium One, Galaxy completed a A$28.9 million capital raising through the issue of 37.5 million shares at A$0.77 per share to sophisticated and institutional investors. A further A$1.1 million is subject to shareholder approval, which will be sought in May and June 2012.

In May 2012 Galaxy issued 2.9 million shares at A$0.77 per share to raise a total of A$2.2 million (before costs) via a Share Purchase Plan. A further A$1.1 million to be raised as part of the capital raising announced in April 2012 is subject to shareholder approval, which will be sought at sharegolder meetings in May 2012 (A$0.5 million) and June 2012 (A$0.6 million).

Based on present forecasts, the directors of Galaxy consider that Galaxy has sufficient funding to complete the commissioning and ramp up of the Jiangsu Plant.

Related Party Transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

Related Party	Type of Transaction	Note	Year ended December 31,2011	Year ended December 31,2010
Allion Legal Pty	Legal consulting	(a)	A$477,670	A$527,599

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Related Party	Type of Transaction	Note	Year ended December 31,2011	Year ended December 31,2010
Ltd				
Creat Resources Holdings Ltd	Commission	(b)	-	A$97,658
Marvel Link Group Limited	Commission	(c)	-	A$2,157,970
Creat Group (HK) Ltd	Interest	(d)	-	A$155,179
David Michael Spratt	Consulting fees	(e)	A$64,000	-

(a) Allion Legal Pty Ltd is a related party being an entity of which Mr Craig Leslie Readhead has the capacity to exercise significant influence. Mr Readhead was the Chairman of Galaxy during the year;
(b) Creat Resources Holdings Ltd "CRHL" is a major shareholder of Galaxy with a 10.47% equity interest. Two Galaxy directors are also directors of CRHL, namely Mr Xiaojian Ren and Dr Yuewen Zheng;
(c) Marvel Link Group Limited is a related entity to CRHL and received commission on behalf of CRHL for facilitating Galaxy in obtaining the Senior Loan Facility;
(d) Creat Group (HK) Ltd is related to CRHL and received interest for guaranteeing a Letter of Credit; and
(e) David Michael Spratt consulting fees relate to work done on the commissioning of the Jiangsu Plant outside of his role as a director.

The directors of Galaxy are of the opinion that the above related party transactions were conducted on terms no less favourable to Galaxy than terms available to or from independent third parties, and in the ordinary course of business.

Apart from the amounts due to Allion Legal Pty Ltd; which were A$41,282 as at December 31, 2010 and A$69,124 as at December 31, 2011, there were no outstanding balances relating to the above transactions at each balance sheet date.

Significant Accounting Policies and Estimates

The consolidated financial statements of Galaxy have been prepared in accordance with IFRS. A description of Galaxy's significant accounting policies is included in the notes to Galaxy's financial statements, which are contained within the Financial Statement Disclosure for Issuers section of this appendix.

DESCRIPTION OF SECURITIES

General

As of the date of this Circular, 363,775,852 Galaxy Shares are issued and outstanding. The Galaxy Shares have no nominal or par value and Galaxy does not have an authorized share capital that sets a limit on the number of shares that can be issued, as these concepts do not exist under the Corporations Act 2001. The issue of shares are under the control of the directors who may issue all or any of the same to such persons at such times and on such terms and conditions and having attached to them such preferred, deferred or other special rights or such restrictions, as the directors think fit, subject to any special rights previously conferred on the holders of any existing shares or class of shares, the Corporations Act 2001 and the ASX Listing Rules.

Constitution of Galaxy

The current version of the constitution of Galaxy was approved by Galaxy Shareholders at the General Meeting of December 22, 2010 (the "Constitution"). A copy of the Constitution can be obtained from the Galaxy website or

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upon request. The following is a summary of the key provisions of the Constitution. The summary is not exhaustive, nor does it constitute a definitive statement of the rights and liabilities of Galaxy Shareholders.

Share Capital

Issue of Shares

The issue of shares is under the control of the directors who may issue or cancel shares, grant options of unissued shares and settle the manner in which fractions of a share are to be dealt with on such terms and conditions having attached to them such as preferred, deferred or other special rights or such restrictions as the directors think fit, subject to the Corporations Act 2001, the ASX Listing Rules and any special rights previously conferred on the holders of any shares or class of shares.

*Preference Share*s

Subject to the Corporations Act 2001 and the ASX Listing Rules, Galaxy may issue fully paid, partly paid or unpaid preference shares and issued shares may be converted into preference shares, provided that the rights attached are in accordance with the Constitution or as approved by resolution of Galaxy.

Each preference share confers on the holder the right to receive a dividend decided by the directors.

Each preference share confers on its holder:

- if the dividend is cumulative, the right in a winding up or on redemption to payment of the amount of any dividend accrued but unpaid on the share at the commencement of the winding up or the date of redemption, whether earned or determined or not;

- if the dividend is non cumulative, and the directors decide under the terms of the issue, the right in a winding up or on redemption to payment of the amount of any dividend accrued but unpaid for the period commencing on the dividend payment date which has then most recently occurred and ending on the commencement of the winding up or the date of redemption, whether earned or determined or not;

with the same priority in relation to each other class of shares as the priority that applies in relation to the payment of the dividend.

The holders of preference shares have the same rights as holders of ordinary shares in relation to receiving notice, reports, balance sheets and audited accounts and of attending and being heard at all general meetings of Galaxy.

A preference shareholder shall have the right to vote in each of the following during a period of time identified by the directors, which, unless the directors decide otherwise under the terms of issue, are as follows:

- a proposal to reduce share capital of Galaxy;

- a proposal that affects rights attached to the share;

- a proposal to wind up Galaxy;

- a proposal for the disposal of the whole of the property, business and undertaking of Galaxy;

- a resolution to approve the terms of a buy-back agreement;

- during a period in which a dividend or part of a dividend on the share is in arrears; and

- during the winding up of Galaxy.

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Lien

To the extent permitted by law, Galaxy has a first and paramount lien on every share for all due and unpaid calls and instalments in respect of that share, all money which Galaxy is required by law to pay, and has paid, in respect of that share, reasonable interest on the amount due from the date it becomes due until payment and reasonable expenses of Galaxy in respect of the default on payment.

Call on Shares

The directors may make calls on a member in respect of any money unpaid on shares in which the member must pay to Galaxy by the time or times, and at the place, by giving not less than 30 days' notice.

Forfeiture of Shares

If a member fails to pay a call or instalment of call, the directors may give notice to the member requiring payment, together with any interest and all costs and expenses that may have been incurred by Galaxy. If the member does not comply with the notice, the directors may by resolution forfeit the relevant shares. The forfeited share may be sold, re-issued or otherwise disposed of to such persons and on such terms as the directors think fit.

Transfer and Transmission of Shares

Subject to the Constitution and ASX Listing Rules, a share in Galaxy is transferrable.

Upon the death of a member, Galaxy will recognise the personal representative of the member as being entitled to the member's interest in the share, or if held jointly, Galaxy will recognise the only survivor as being entitled to the member's interest in the shares. Galaxy will recognise a person being entitled to shares because of the mental incapacity of a member with the information reasonably required to establish a person's entitlement.

Directors

Number and Change

The number of directors in Galaxy is not to be less than three or more than 12 and this may be increased or reduced by resolution at the general meeting.

Appointment and Retirement

Notices of intention to propose a person for election as a director (and the candidate's consent to be elected) may be lodged with Galaxy at any time during the period commencing immediately after the previous annual general meeting and ending 30 calendar days prior to the annual general meeting at which the candidate seeks election.

Written notice of each annual general meeting will be given to all of Galaxy's shareholders at least 28 days prior to the annual general meeting. The notice of the meeting will contain particulars of the proposed election of directors, including details of each candidate that has been nominated for election.

A director must not hold office without re-election at the third annual general meeting following appointment or last election or for more than three years, whichever is the longer.

Powers and Duties

The business of Galaxy is to be managed by the directors, who may exercise all such powers of Galaxy as are not, by the Corporations Act 2001 or the Constitution, required to be exercised by Galaxy in a general meeting.

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Remuneration, Superannuation and Retirement Benefit

Except for the managing or executive directors, a director will be remunerated for their services: a yearly sum determined by Galaxy at the general meeting, accruing from day to day, except for non-cash benefit, which is to be divided among the directors in the proportion and manner agreed on, or among them equally, in cash or partly in non-cash benefits as agreed.

If required by law, Galaxy may make contributions to a fund for the superannuation benefits of a director.

Subject to the ASX Listing Rules and Corporations Act 2001, Galaxy may pay a former director, or personal representative of a director who dies in office, a retirement benefit determined by the directors. Galaxy may also enter into a contract with a director for the payment of a retirement benefit.

Casual or Additional Director

The directors may at any time appoint a person to be a director, either to fill a casual vacancy or as an addition to the existing directors, provided the total number of directors does not exceed 12.

Dividends and Reserves

Subject to the Corporations Act 2001 and the Constitution, the directors may determine that a dividend is payable, fix the amount and the time for payment and authorise the payment or crediting by Galaxy to that member. Interest is not payable by Galaxy on dividends and unclaimed dividends may be invested by directors as they think fit for the benefit of Galaxy until claimed.

Winding Up

If Galaxy is wound up, the liquidator may, with the sanction of a special resolution of Galaxy, divide among the members property of Galaxy and set such value as the liquidator considers fair and may determine how the division is to be carried out between members or vest the whole or part of any such property in trustees on such trusts for the benefit of contributories as the liquidator thinks fit.

Indemnity and Insurance

To the maximum extent permitted by law, Galaxy may indemnify and take out insurance to cover any current or former director, secretary, officer, senior manager or subsidiary of Galaxy, against any liability incurred by that person in that capacity (except a liability for legal costs), legal costs incurred in defending or resisting proceedings, in which that person becomes involved because of that capacity and legal costs incurred in good faith in obtaining legal advice on issues relevant to the performance of their functions and duties as an officer of Galaxy or its subsidiary, if approved in accordance with Galaxy's policy. Galaxy will not indemnify or take out insurance to the extent that it is forbidden by law or would be made void.

Consolidated Capitalization

The following table sets out the consolidated capitalization of Galaxy as at December 31, 2011 prior to giving effect to the Arrangement and on that same date after giving effect to the Arrangement. The information below is derived from the audited consolidated financial statements of Galaxy included in this Circular and should be read in conjunction with such financial statements and "Management's Discussion and Analysis". Galaxy's financial statements are prepared and presented in accordance with IFRS. All dollar amounts below are expressed in Australian dollars.

	As at December 31, 2011 (prior to giving effect to the Arrangement)	**As at December 31, 2011 (after giving effect to the Arrangement)**
Convertible Bonds	66,068,191	66,068,191

	As at December 31, 2011 (prior to giving effect to the Arrangement)	As at December 31, 2011 (after giving effect to the Arrangement)
Unsecured Bank Loans	29,784,469	29,784,469
Total Long Term Debt	**95,852,660**	**95,852,660**
Total Shareholders' Equity	**113,515,105**	**240,788,384**
Total Capitalization	**209,367,765**	**336,641,044**

Convertible Bonds

In November 2010, January 2011 and February 2011 Galaxy issued convertible bonds (the "Convertible Bonds") to the bondholders (the "Bondholders"), raising a total of A$61.5 million in three tranches. The principal terms of the Convertible Bonds are set out below.

Principal amount

The aggregate principal amount of the Convertible Bonds is A$61.5 million.

Issue price

The issue price was 100% of the principal amount of each Convertible Bond, being A$100,000 per Convertible Bond.

Interest

Interest is payable semi annually in arrears at a fixed rate of 8% p.a.

Dates of closing

The dates of closing for Tranche 1 (A$32 million), Tranche 2 (A$10.5 million) and Tranche 3 (A$19 million) of the Convertible Bonds are November 19, 2010, January 14, 2011 and February 15, 2011 respectively.

Conversion period

Subject to the relevant Bondholder complying with the relevant conversion procedures, and provided a Bondholder does not give a notice requiring redemption of the Convertible Bonds, the Convertible Bonds are convertible into Galaxy Shares at any time on or after November 25, 2010 up to the close of business on the seventh day prior to the maturity date, which is five years from the date of closing of Tranche 1 (i.e. November 19, 2010), or if a Convertible Bond has been called by Galaxy, then up to the close of business on the date seven days prior to the date fixed for redemption of the Convertible Bonds.

Conversion price

The Convertible Bonds were to be converted into Galaxy Shares at an initial conversion ratio of 64,102.56 Galaxy Shares per Convertible Bond, reflecting an initial conversion price of A$1.56 per Galaxy Share and for a total of 39,423,077 Galaxy Shares.

The initial conversion price represented a premium of 33.8% to the volume weighted price of the Galaxy Shares on the ASX for the 20 trading days prior to September 28, 2010 which was the day the Convertible Bonds were priced following negotiations with the bondholders.

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Adjustment to the conversion price

The conversion price will be subject to adjustment upon the occurrence of certain prescribed events including, among others, consolidation, subdivision or reclassification of Galaxy Shares; capitalization of profits or reserves, capital distributions (including dividends); rights issue of Galaxy Shares, options over Galaxy Shares or other securities, issue of Galaxy Shares, or options to subscribe for Galaxy Shares or other securities convertible into Galaxy Shares, at less than 95% of the then Current Market Price up until six months from November 19, 2010, or at less than the market price thereafter; modification of rights of certain convertible securities, other offers to Galaxy shareholders and other anti-dilution adjustment events.

The conversion price will also be adjusted downwards to reflect the then Current Market Price of the Galaxy Shares as at 12 months from November 19, 2010 if the then Current Market Price of the Galaxy Shares is below the conversion price otherwise prevailing at the time, subject to a minimum conversion price of 80% of such conversion price.

No adjustment will be made to the conversion price when Galaxy Shares are issued to employees (including directors) of Galaxy pursuant to any employee's share scheme or plan, including the employee share option plan.

The initial conversion price of A$1.56 per Galaxy Share has been adjusted to approximately A$1.136 per Galaxy Share as a result of certain events described above having occurred. Assuming full conversion of the Convertible Bonds at the current conversion price of approximately A$1.136 per Galaxy Share, the Convertible Bonds will be converted into 54,137,324 Galaxy Shares.

"Current Market Price" means, in respect of a Galaxy Share on any date, the quotient obtained by dividing (a) the aggregate of the Daily Value of Trades for each day during the period of 20 consecutive trading days ending three trading days before such date; by (b) the aggregate volume of Acquireco Shares used to calculate such Daily Value of Trades.

Ranking of conversion Galaxy Shares

Galaxy Shares issued upon conversion of the Convertible Bonds will be fully paid and in all respects will rank pari passu with the Galaxy Shares on issue.

Transferability

The Convertible Bonds are generally transferable, subject to the terms of the paying, transfer and conversion agency agreement in respect of the Convertible Bonds.

Maturity date

Unless previously redeemed or converted, Galaxy must redeem each Convertible Bond at 100% of its principal amount of A$100,000 on the fifth year anniversary from November 19, 2010.

Redemption for taxation reasons

The Convertible Bonds may be redeemed at the option of Galaxy in whole, but not in part, at any time in the event of certain changes in taxation laws and regulations, or general application or official interpretation of such laws and regulations, as a result of which Galaxy will become obliged to pay an additional amount in relation to the Convertible Bonds, provided certain conditions are met and subject to certain limitations.

Redemption at the option of Galaxy

On or at any time after three years from November 19, 2010 and prior to the maturity date, Galaxy may redeem all, but not some only, of the Convertible Bonds at 100% of their principal amount if:

(a) The closing price of the Galaxy Shares for 20 trading days in any 30 consecutive trading day period is greater than 130% of the then applicable conversion price; or

(b) At least 90% of the Convertible Bonds have already been converted or redeemed.

Redemption at the option of the Bondholders

A bondholder may, on the third year anniversary from November 19, 2010, require Galaxy to redeem all, or some only, of such bondholder's Convertible Bonds at 100% of their principal amount.

Redemption for delisting or change of control

Following the occurrence of a change of control or delisting of Galaxy (including suspension of the trading of the Galaxy Shares on a relevant stock exchange for more than 60 consecutive trading days), the Bondholders will have the right to require Galaxy to redeem all, or some only, of such Bondholder's Convertible Bonds at 100% of their principal amount.

Event of default

Upon occurrence of any of the events of default specified in the terms of the Convertible Bonds, the Convertible Bonds shall become immediately due and payable at 100% of their principal amount upon the trustee exercising its right to accelerate repayment of the Convertible Bonds according to the terms of the Convertible Bonds.

Form of the Convertible Bonds and denomination

The Convertible Bonds are issued in registered form in the denomination of A$100,000 each.

Ranking of the Convertible Bonds

The Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of Galaxy and shall at all times rank pari passu and without any preference or priority among themselves.

Unsecured Fixed Asset Facilities

Galaxy entered into a RMB 136 million unsecured fixed asset facility with China Construction Bank in June 2011. The facility has a term of three years and a floating interest rate (currently 6.40% per annum), payable quarterly. As at December 31, 2011 and April 30, 2012, this facility was fully drawn. RMB 50 million and RMB 86 million are repayable in 2013 and 2014 respectively.

Galaxy entered into a RMB 129.6 million unsecured fixed asset facility with China Construction Bank in November 2011. The facility has a term of five years and a floating interest rate (currently 6.90% per annum), payable quarterly. As at December 31, 2011, RMB 56.5 million was drawn down and as at April 30, 2012, this facility was fully drawn. RMB 28 million is repayable in 2013, RMB 35 million is repayable in 2014, RMB 36 million is repayable in 2015 and RMB 30.6 million is repayable in 2016.

In April 2012, Galaxy entered into a RMB 182 million unsecured fixed asset facility with the Industrial and Commercial Bank of China. The facility has a term of five years and a floating interest rate (currently 6.90% per annum), payable monthly. As at April 30, 2012, RMB 30 million was drawn down. RMB 12 million is repayable in 2013, RMB 35 million is repayable in 2014, RMB 45 million is repayable in 2015, RMB 45 million is repayable in 2016 and RMB 45 million is repayable in 2017 (if fully drawn).

Unsecured Working Capital Facilities

Galaxy entered into a RMB 114 million unsecured working capital facility with China Construction Bank in September 2011. The facility has a term of one year (from draw down) and a fixed interest rate of 6.56% per annum,

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payable monthly. As at December 31, 2011, RMB 24 million was drawn down and as at April 30, 2012, RMB 103 million was drawn down. RMB 60 million and RMB 54 million are repayable in 2012 and 2013 respectively (if fully drawn).

In March 2012, Galaxy entered into a RMB 84 million unsecured working capital facility with Shanghai Pudong Development Bank. The facility has a term of three years and a floating interest rate (currently 6.65% per annum), payable quarterly. As at April 30, 2012, RMB 46 million was drawn down. RMB 1 million is repayable in 2012, RMB 2 million is repayable in 2013 and RMB 81 million is repayable in 2014 (if fully drawn).

Galaxy Notes

The following is a summary of the terms and conditions of the Galaxy Notes, the full text of which is found in Schedule K of the Arrangement Agreement found on Lithium One's SEDAR file at www.sedar.com.

Maturity and Interest Rate

The Galaxy Notes are unsecured and mature on October 29, 2012 on which date the principal amount of each Galaxy Note will be payable. The principal amount of each Galaxy Note will bear interest as of the Effective Date at a rate of eight percent (8%) compounded daily, not in advance, and payable in cash in Canadian Dollars.

Conversion Right

The Galaxy Notes are convertible at the option of the holder of Galaxy Notes, at any time until the principal amount of the Galaxy Notes and all accrued and unpaid interest is fully paid into units of Galaxy (the "Galaxy Units") comprising of one Galaxy Share and one half of one Galaxy Warrant for an exercise price equal to the quotient by dividing 1.50 by 1.96 **(the "Exchange Price")**. Each whole Galaxy Warrant entitles the holder thereof the right to acquire one Galaxy Share at the exercise price of the Galaxy Warrant (the "Galaxy Warrant Exercise Price"), being the amount in Canadian Dollars equal to the quotient obtained by dividing 1.50 by 1.96.

Adjustment Clauses

The kind and number of shares or other securities or property that a holder of Galaxy Notes shall be entitled to receive on exchange of a Galaxy Note shall be subject to adjustment from time to time in the case of (i) a subdivision or redivision of the Galaxy Shares; (ii) a combination, consolidation or reduction of the Galaxy Shares; (iii) the issuance of Galaxy Shares to all or substantially all holders of Galaxy Shares by way of stock dividend; (iv) the reclassification of the Galaxy Shares outstanding; (v) a change or exchange of the Galaxy Shares into or for other shares or securities; (vi) the consolidation, merger, amalgamation, arrangement or other form of business combination of Galaxy with or into another corporation or entity; or (vi) the entering into a transaction pursuant to which all or substantially all of the undertaking and assets of Galaxy become the property of another corporation or entity.

The Exchange Price and the Galaxy Warrant Exercise Price shall be adjusted downward (for any Galaxy Note which has not been converted into Galaxy Units) in the event of: (i) an issuance of Galaxy Shares for consideration less than the Exchange Price that would be in effect at the time of said issuance; or (ii) the issuance of any security or debt instrument of Galaxy carrying the right to convert or exchange such security into Galaxy Shares with a conversion or exchange price less than the Exchange Price that would be in effect at the time of said issuance.

The Galaxy Notes also contain an adjustment to the Exchange Price in the event that Galaxy fixes a record date for the issuance of rights, options or warrants to all or substantially all the holders of the outstanding Galaxy Shares.

Finally, in the event Galaxy fixes a record date to issue by way of dividend or distribution to all or substantially all holders of Galaxy Shares or securities (other than shares of Galaxy), evidences of indebtedness, cash (excluding dividends paid in the ordinary course) or rights, options or warrants to subscribe for Galaxy Shares then, upon any such special distribution, the kind and number or amount of shares or other securities or property the holder of

Galaxy Notes shall be entitled to receive shall be adjusted by an amount and in a manner as determined by the auditors of Galaxy in order to properly reflect the resulting diminution in value of the Galaxy Shares.

Covenants and Undertakings

The Galaxy Notes contain such covenants and undertakings typically found in such instruments including the following obligations: to pay the principal and all other monies when due; maintaining the corporate existence of Galaxy and those of its subsidiaries; the maintenance of records and ensuring that the Galaxy Notes are fully tradable in Australia. The payments made by Galaxy under the Galaxy Notes shall be made without withholding taxes except to the extent such withholding is required by any applicable law and except that Galaxy shall pay the holders of the Galaxy Notes such additional amount as is necessary to ensure that the net amount received by such holder will equal the full amount such holder would have received had no such withholding been required.

Default

The Galaxy Notes contain events of default (each an "Event of Default") which include: (i) non-payment of any amounts due; (ii) failure to perform any obligation; (ii) there being suspension from trading or failure to list the Galaxy Shares on the ASX for a period of five (5) days; (iv) any default on other indebtedness exceeding $250,000; and (v) any default on other obligations which constitutes a material adverse change.

If an Event of Default occurs and is not remedied, then each holder of Galaxy Notes may, at its option, (among other rights) declare all amounts in principal and interest payable and demand the exchange of the Galaxy Note in accordance with its terms and demand that, if lower, the Exchange Price be equal to eight-five percent (85%) of the 5-day volume weighted average closing price of the Galaxy Shares traded on the ASX prior to the notice of exchange, subject to regulatory approvals.

Options to Purchase Securities

As at the date of this Circular, Galaxy had 59,850,000 Galaxy Options outstanding, representing 14.1% of Galaxy's expanded capital. Galaxy has adopted an employee share option plan ("ESOP"), which was approved by Galaxy Shareholders on April 2, 2009. As at the date of this Circular, 39,350,000 of the Galaxy Options outstanding were issued under the ESOP. Details of the outstanding Galaxy Options are as follows:

Position with Galaxy	Galaxy Options outstanding as at April 16, 2012	Exercise price	Market value of Galaxy Options on date of grant	Market Value of Galaxy Options as at April 16, 2012	Expiry date
Galaxy Options issued under ESOP					
Officers	2,550,000	0.60	0.08	0.38	November 27, 2014
	3,750,000	0.60	0.03	0.48	July 16, 2017
	750,000	0.45	0.27	0.41	April 17, 2014
	800,000	0.90	0.87	0.29	November 27, 2014
	1,200,000	1.11	1.03	0.34	July 22, 2016
	2,000,000	0.96	0.77	1.26	April 16, 2022
	4,500,000	1.16	0.94	1.21	April 16, 2022
Other employees	400,000	0.60	0.03	0.48	July 16, 2017
	850,000	1.11	1.00	0.39	July 16, 2017
	1,050,000	1.11	1.00	0.39	July 16, 2017

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Position with Galaxy	Galaxy Options outstanding as at April 16, 2012	Exercise price	Market value of Galaxy Options on date of grant	Market Value of Galaxy Options as at April 16, 2012	Expiry date
	1,000,000	1.16	0.44	0.38	July 16, 2017
	2,400,000	1.11	1.03	0.34	July 22, 2016
	6,700,000	1.16	0.94	1.21	April 16, 2022
	3,350,000	1.16	0.52	1.06	April 16, 2020
	7,550,000	1.16	0.15	1.06	April 16, 2020
Consultants	300,000	0.60	0.08	0.38	November 27, 2014
	200,000	0.60	0.03	0.48	July 16, 2017
Other Galaxy Options					
Directors	500,000	0.60	0.08	0.38	November 27, 2014
	1,000,000	0.60	0.03	0.48	July 16, 2017
	1,000,000	0.60	0.87	0.38	November 27, 2014
	1,000,000	0.96	0.77	1.26	April 16, 2022
	14,000,000	1.16	0.94	1.21	April 16, 2022
	2,000,000	1.16	0.29	1.21	April 16, 2022
Other	1,000,000	1.00	0.64	0.04	June 30, 2012
Total Galaxy Options	59,850,000				

Galaxy ESOP

Galaxy has adopted the ESOP, which was approved by Galaxy Shareholders on April 2, 2009. The purpose of the ESOP is to help attract and retain the best available personnel, to provide additional incentive to employees and consultants, to achieve Galaxy's long term objectives and to promote the success of Galaxy's business.

Eligible participants of the ESOP are full or part-time employees or consultants (or their nominees) of Galaxy or an Associated Body Corporate who are invited to participate by the board of Galaxy. An "Associated Body Corporate" is defined in the ESOP as (i) a related body corporate as defined under section 50 of the Corporations Act 2001; (ii) a body corporate that has voting power in Galaxy of not less than 20%; or (iii) a body corporate in which Galaxy has voting power of not less than 20% (collectively, "Participants"). The board of Galaxy may, at its discretion, determine the extent to which Participants may participate in the ESOP and Galaxy may issue Galaxy Options to such Participants.

The total number of Galaxy Options that may be issued under the ESOP, when aggregated with the number of shares that may be issued under all other options and the number of shares issued under employee incentive schemes in the previous five years, may not exceed five percent of the total number of issued shares in that share class at the time the Galaxy Option is offered.

Each Galaxy Option carries the right in favour of an option holder to subscribe for one Galaxy Share. Galaxy Shares allotted shall rank, from the date of allotment, equally with existing Galaxy Shares in all respects. Galaxy must make an application to have the Galaxy Shares allotted pursuant to the ESOP listed for official quotation on the ASX. No money will be payable for the issue of the Galaxy Options. The Galaxy Options expire on the later of ("Expiry Date"):

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- the date which is five years from the date of satisfaction of all vesting condition attaching to the Galaxy Option; or

- where there is no vesting condition, the date which is five years from the date of issue of the Galaxy Option.

Galaxy Shares allotted to the option holders on the exercise of Galaxy Options shall be issued at the "Exercise Price". The Exercise Price shall be as determined by the board of Galaxy (in its discretion) on or before the date of grant of the Galaxy Options provided that in no event shall the Exercise Price be less than 80% of the average closing sale price of the Galaxy Shares on the ASX over the five trading days immediately preceding the date of the announcement of the issue of the Galaxy Options by the board of Galaxy.

The board of Galaxy may, in its absolute discretion, impose performance criteria on the vesting of Galaxy Options by an option holder. Performance criteria must be specified in the offer of options and state that the relevant Galaxy Options cannot be exercised unless the performance criteria are satisfied.

The exercise period in relation to a Galaxy Option under the ESOP ("Exercise Period") refers to the period commencing on the date after which the Galaxy Option has vested and ending on the Expiry Date, or such other period as the board of Galaxy resolves.

An option holder may at any time during the Exercise Period exercise outstanding Galaxy Options in whole or in part, provided that, unless otherwise permitted under the ESOP, the option holder wishing to exercise the Galaxy Options is a Participant at the time of exercise.

An option holder may not sell, transfer or otherwise dispose of, or make a declaration of trust in respect of, a Galaxy Option except: (a) to a nominee of the option holder; or (b) during a takeover period, as defined under section 624 of the Corporations Act 2001, in which case the Galaxy Options may only be transferred by the option holder to the bidder or its nominees in accordance with the Corporations Act 2001.

There are no participating rights or entitlements inherent in the Galaxy Options and option holders will not be entitled to participate in new issues of capital offered to Galaxy Shareholders during the currency of the Options. However, the Galaxy will ensure that the record date for determining entitlements to any such issue will be at least six Business Days after the issue is announced. Option holders shall be afforded the opportunity to exercise all Galaxy Options which they are entitled to exercise under the ESOP rules prior to the date for determining entitlements to participate in any such issue.

If Galaxy makes an issue of Galaxy Shares by way of capitalization of profits or reserves ("Bonus Issue"), each option holder holding any Galaxy Options which have not expired at the time of the record date for determining entitlements to the Bonus Issue shall be entitled to have issued to him or her upon exercise of any of those Galaxy Options the number of Galaxy Shares which would have been issued under the Bonus Issue ("Bonus Shares") to a person registered as holding the same number of Galaxy Shares as that number of Galaxy Shares to which the option holder may subscribe for, pursuant to the exercise of those Galaxy Options immediately before the record date determining entitlements under the Bonus Issue (in addition to the Galaxy Shares which he or she is otherwise entitled to have issued to him or her upon such exercise). The Bonus Shares will be paid by Galaxy out of profits or reserves (as the case may be) in the same manner as was applied in relation to the Bonus Issue and upon issue rank equally with existing Galaxy Shares in all respects.

If Galaxy varies its share capital through a further issue of Galaxy Shares or other securities or through a reconstruction, the number of Galaxy Options held by each options holder and the exercise price of each Galaxy Option are varied in a manner determined by the board of Galaxy that complies with the ASX Listing Rules.

In general, unvested Galaxy Options shall lapse automatically and not be exercisable (to the extent not already exercised) on the earlier of (i) the Expiry Date; (ii) the making by the board of Galaxy a determination that the option holder has acted fraudulently, dishonestly or in breach of the option holder's obligations to Galaxy or an Associated Body Corporate and the Galaxy Option is on that account to be forfeited; or (iii) the Participant ceasing

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to be employed or engaged by Galaxy or an Associated Body Corporate by virtue of the Participant's death, the Participant's permanent illness or permanent physical or mental incapacity (as certified by a medical practitioner who is approved in writing by the board of Galaxy) or the Participant being retrenched or made redundant by Galaxy or an Associated Body Corporate (other than as a direct result of the disposal or sale of Galaxy or Associated Body Corporate).

The ESOP may be suspended or terminated at any time by the board of Galaxy, but such termination shall not affect the rights of holders of Galaxy Options issued prior to termination.

The ESOP is governed by the laws of Western Australia, Australia.

Prior Sales

During the 12 month period preceding the date of this Circular, Galaxy issued an aggregate of 149,539,761 Galaxy Shares as follows:

Date of Distribution	Aggregate Number of Galaxy Shares Issued	Price Per Galaxy Share
May 2, 2012	2,917,059	A$0.77
April 24, 2012	1,929,706	A$0.77
April 23, 2012	35,602,087	A$0.77
May 23, 2011	78,090,947	A$1.10
April 27, 2011	30,999,962	A$1.10

MARKET FOR SECURITIES AND TRADING PRICE AND VOLUME

The Galaxy Shares are listed for trading on the ASX under the ticker symbol "GXY". The following table shows the monthly range of high and low prices per Galaxy Share at the close of market on the ASX, as well as total monthly volumes and average daily volumes of the Galaxy Shares traded on the ASX for the 12-month period before the date of this Circular, according to Bloomberg:

Month	Price per Galaxy Share (A$) Monthly High	Price per Galaxy Share (A$) Monthly Low	Galaxy Shares Total Monthly Volume	Galaxy Shares Average Daily Volume
May 2011	$1.130	$0.840	42,027,883	1,910,358
June 2011	$0.925	$0.690	40,551,682	1,931,032
July 2011	$0.820	$0.645	33,502,330	1,595,349
August 2011	$0.780	$0.560	34,494,808	1,499,774
September 2011	$0.870	$0.570	25,548,574	1,161,299
October 2011	$0.700	$0.580	15,467,171	736,532
November 2011	$1.015	$0.615	47,784,522	2,172,024
December 2011	$0.965	$0.690	14,944,363	747,218
January 2012	$0.925	$0.715	10,095,648	504,782
February 2012	$0.890	$0.760	7,217,356	343,684
March 2012	$1.005	$0.770	23,318,971	1,110,427
April 2012	$0.760	$0.685	26,557,145	2,213,095
May 2012 (to May 10)	$0.690	$0.620	8,901,749	1,112,719

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

No Galaxy Shares are currently subject to any escrow requirements.

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Principal Shareholders

To the best of Galaxy's knowledge, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the issued and outstanding Galaxy Shares as at the date of this Circular, other than as set out below:

Name of Principal Shareholder	Number of Galaxy Shares owned as at the date of this Circular	Percentage of Galaxy Shares owned as at the date of this Circular	Number of Galaxy Shares owned after the Arrangement	Percentage of Galaxy Shares owned after the Arrangement
M&G Investment Funds[1,2]	71,584,750	19.68%	71,584,750	14.13%
Vanguard Precious Metals & Mining Fund[2]	40,893,638	11.24%	40,893,638	8.07%
CRHL[3]	38,091,616	10.47%	38,091,616	7.52%

Notes:
1. M&G Investment Funds' shareholding in Galaxy includes Galaxy Shares held by Vanguard Precious Metals & Mining Fund.
2. Shares beneficially owned.
3. Shareholder of record.

DIRECTORS AND EXECUTIVE OFFICERS

Directors

The following table sets out the names, province or state and country of residence of the directors of Galaxy, their positions with Galaxy, the date on which they commenced their positions and the number and percentage of Galaxy Shares beneficially owned, or controlled and directed, directly or indirectly, by them.

Name, province or state and country of residence	Positions with Galaxy	Director since	Galaxy Shares beneficially owned or controlled
Ignatius Kim-Seng TAN – Western Australia, Australia	Managing Director, Non-Executive Director	September 18, 2008	88,481 / 0.02%
Anthony Peter TSE – Hong Kong	Executive Director	October 13, 2010	Nil
Charles Bernard Francis WHITFIELD – Hong Kong	Executive Director	October 13, 2010	1,161 / 0.00%
Craig Leslie READHEAD[2,3,4] – Western Australia, Australia	Non-executive Chairman	April 27, 1999	4,543,388 / 1.25%[5]
Yuewen ZHENG[2,3,4] – Beijing, China	Non-executive Director	January 7, 2010	38,091,616 / 10.47%[6]
Xiaojian REN – Beijing, China	Non-executive Director, Alternate Director	January 7, 2010	38,091,616 / 10.47%[6]
Robert James WANLESS[2,3,4] – Western Australia, Australia	Non-executive Director	January 15, 1996	2,008,493 / 0.55%
Shaoquing WU – Jiangsu Province, China	Non-executive Director	February 24, 2011	Nil

Name, province or state and country of residence	Positions with Galaxy	Director since	Galaxy Shares beneficially owned or controlled
Kai Cheong KWAN[2,3,4] – Hong Kong	Non-executive Director	October 13, 2010	Nil
David Michael SPRATT[2,3,4] – Western Australia, Australia	Non-executive Director	February 11, 2011	Nil
Zhimin SHI – Jiangsu Province, China	Alternate Director to Mr Shaoqing Wu	September 19, 2011	Nil
May CHEN – Beijing, China	Alternate Director to Dr Yuewen Zheng	December 2, 2011	Nil

Notes:
1. Each director's term of office expires at the later of the third annual general meeting of shareholders of Galaxy or three years following that director's last election or appointment. Retiring directors are eligible for re-election.
2. Member of the Remuneration and Nomination Committee.
3. Member of the Audit Committee.
4. Member of the Risk Management Committee.
5. Includes 649,351 Galaxy Shares, the issue of which is subject to shareholder approval.
6. Yuewen Zheng and Xiaojian Ren each hold an interest in the 38,091,616 Galaxy Shares held by CRHL.

Biographical information for each director, including their principal occupations for the last five years, is set forth below.

Ignatius Kim-Seng Tan, *Managing Director, Non-Executive Director*

Mr Tan is an operations executive with over 24 years' experience in the mining and chemical industry. He joined Galaxy in September 2008 and has been a director since this time. Mr Tan was appointed as Managing Director in November 2008.

Prior to joining Galaxy, Mr Tan was the Managing Director of Nickelore Ltd, an ASX-listed nickel company, between July 2007 and September 2009. Mr Tan also served as the Executive General Manger of Metals X Ltd, an ASX-listed tin and nickel mining and exploration company from February 2006 to May 2007.

Mr Tan also served as the Mid-West Operations Manager of Iluka Resources from 2001 to 2004 and was the Lithium Production Manager at Greenbushes Mine with Gwalia Consolidated Ltd from October 1995 to October 1996.

Mr Tan received his Master of Business Administration from Southern Cross University and holds a Bachelor of Science from the University of Western Australia. He is a former Chairman of the Western Australian Chamber of Minerals and Energy's Murchison Regional Council and is a member of Australian Institute of Company Directors.

Charles Bernard Francis Whitfield, *Executive Director*

Mr Whitfield has been an Executive Director since October 2010 with responsibilities for corporate finance, merger and acquisition activities and treasury.

He has been a Director and Chief Investment Officer of Drumrock Capital since March 2008. Mr Whitfield was formerly a Managing Director with Citigroup Global Markets Asia Limited from June 2006 to March 2008. Prior to this, he was employed by Deutsche Bank Group where he served as Director of Structured Equity Transactions Division from October 2000 to May 2006.

Mr Whitfield received a Masters in Business Administration from Columbia Business School (New York) and a Bachelor of Economics from The University of Exeter (U.K.).

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Anthony Peter Tse, *Executive Director*

Mr Tse has been an Executive Director since October 2010 and is responsible for managing Galaxy's Hong Kong office, compliance matters and investor and public relations.

Mr Tse previously served as the Chief Executive Officer of CSN Corporation, a home shopping television channel in the PRC from September 2008 to July 2010. He has also held various positions with the TOM Group from 2000 to 2008, including President of China Entertainment Television Broadcast Ltd, Director of Corporate Development of the TOM Group and Deputy General Manager of online operations.

Mr Tse is a former director and member of the Council of Governors for The Cable & Satellite Broadcasting Association of Asia. He was a member of the Digital Information & Telecommunications Committee for the Hong Kong General Chamber of Commerce. He is also an advisory board member for Music Matters, a leading music and entertainment industry event in Asia.

Craig Leslie Readhead, *Chairman, Non-executive Director*

Mr Readhead joined Galaxy in April 1999 and has served as a Non-executive Director and Chairman since this time.

Mr Readhead has been a partner at Allion Legal, a specialist mining and corporate law firm since 2009 and was previously a founding partner at Perth law firm Pullinger Readhead Lucas. Mr Readhead currently holds a number of directorships including serving as Chairman of Beadell Resources since April 2010, Non-executive Director of General Mining Corporation since September 2007, (including serving as the Chairman from September 2007 to October 2009), Chairman and Non-executive Director of Heron Resources since February 2007, Non-executive Chairman of Frankland River Olive Company and Non-executive Director of India Resources since February 2007.

During the past five years Mr Readhead has served as Chairman of Agincourt Resources, Nickelore Limited and Mt Gibson Iron with his positions ending in April 2007, October of 2007 and December 2011 respectively.

Mr Readhead has a Bachelor of Jurisprudence and Bachelor of Laws from University of Western Australia. He is a barrister and solicitor and has been admitted to the Law Society of Western Australia. He is a member of the Fellow of the Australian Institute of Company Directors (FAICD). He has previously served as the President of the Australian Mining and Petroleum Law Association Ltd.

Yuewen Zheng, *Non-executive Director, Alternate Director*

Dr Zheng has been a Director since January 2010. He has six years' experience in assuming managerial and advisory roles in the mineral resources industry.

Dr Zheng served as the Chief Executive Officer of Creat Group from 1992 to 2002 and has served as the Chairman since 2002. Creat Group is the substantial shareholder of CRHL, a mining resources company listed on AIM which is a substantial shareholder of Galaxy. Dr Zheng has also been a Non-executive Chairman of CRHL since March 2008 and the Managing Director and Chief Executive Officer of CRHL since June 2010.

Dr Zheng has also been a Director of Beijing Keruicheng Mining Investment Co Ltd since 2006 and Beijing Keruicheng Jinchuan Mining Investment Co Ltd since 2007. Dr Zheng has also served as Chairman of Shanghai RAAS Blood Products Co Ltd since June 2004 and was the Chairman and an Executive Director of Yantai North Andre Juice Co Ltd from November 2000 to June 2009.

Dr Zheng has a Doctor of Philosophy in Finance from Dongbei University of Finance and Economics in the PRC. He also holds a Master of Business Administration from Asia International Open University (Macau) and a Bachelor of Economics from Jiangxi University of Finance & Economics in the PRC. He is the Vice President of the Non-Governmental Science & Technology Entrepreneurs Association, and was the Vice President of the All-China Federation of Industry & Commerce.

Xiaojian Ren, *Non-executive Director*

Mr Ren was appointed as Non-executive Director in October 2010. He was formerly an alternate director for Dr Zheng.

Mr Ren has six years of experience in performing managerial and advisory roles in the mineral resources industry. Mr Ren has been a Director at the Creat Group since 1992 and has served as the Chief Executive Officer since 2002. Mr Ren has also served as a Director of CRHL since 2008, Beijing Keruicheng Mining Investment Co Ltd since 2006, Beijing Keruicheng Jinchuan Mining Investment Co Ltd since 2007 and Shanghai RAAS Blood Products Co Ltd since June 2004. He was a Non-executive Director of Yantai North Andre Juice Co Ltd from November 2000 to May 2007.

Mr Ren received a Masters of Business Administration from La Trobe University in Australia.

Robert James Wanless, *Non-executive Director*

Mr Wanless has been a Director of Galaxy since January 1996. Mr Wanless is a prospector and mining investor with more than 15 years' experience in the mineral resources industry. He has been a director of ASX-listed General Mining Corporation Ltd since May 2007 and was previously a director of Greenstone Resources an ASX-listed resource company from September 1996 to November 1998.

Shaoqing Wu, *Non-executive Director*

Mr Wu was appointed as Non-executive Director in February 2011. He has 17 years' experience in the steel, raw materials trading and processing, overseas shipping and port logistics industries.

Mr Wu has been employed by Fengli Group since July 1993 and has undertaken several roles with the group and its subsidiaries, including as Vice General Manager of Jiangsu Yongheng Furnace Material Industrial Co Ltd and Vice General Manager of Jiangsu Fengli International Trade Co Ltd.

Mr Wu served as Vice General Manager of Fengli Group from April 2004 to January 2011 and was appointed as the General Manager of Fengli Group in January 2011 and is responsible for all the senior management and daily activities of Fengli Group. Mr. Wu is also a Director of Fengli Group.

Mr Wu graduated from Shazhou Vocational Institute of Technology, majoring in industrial and residential architectural construction.

Kai Cheong Kwan, *Independent Non-executive Director*

Mr Kwan was appointed as an Independent Non-executive Director in October 2010.

Mr Kwan has served as a Non-executive Director of JF Household Furnishings Ltd since April 2008 and as a Non-executive director of China Properties Group Ltd since February 2007. Mr Kwan also serves as an Independent Non-executive Director for SPG Land (Holdings) Ltd since September 2006 Win Hanverky Holdings Ltd since April 2006, Henderson Sunlight Asset Management since February 2006, Hutchison Harbour Ring Ltd since September 2004. Mr Kwan is President of Morrison & Company Ltd, a business consultancy, which he joined in January 2003.

Additionally, Mr Kwan has previously served as an Independent Non-executive Director for various companies during the past five years, including for T.S. Telecom Technologies Ltd from March 2005 to January 2008, Soundwill Holdings Ltd, from September 2004 to January 2011 and Hutchison Telecommunications International Ltd from August 2004 to May 2010.

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Mr Kwan graduated from the National University of Singapore in with a degree in Accountancy. Mr Kwan is qualified as a Chartered Accountant in Australia and is a member of the Hong Kong Institute of Certified Public Accountants. Mr Kwan also completed the Stanford Executive Program.

Michael Spratt, *Independent Non-executive Director*

Mr Spratt was appointed as an Independent Non-executive Director in February 2011. He has experience in the mining, mineral processing and smelting industries.

Mr Spratt was appointed as a Non-executive Director of ASX-listed Kasbah Resources Ltd in August 2010 and has served as Chairman since December 2010. Prior to this, he was the Managing Director of Thailand Smelting and Refining Co Ltd, a manufacturer of tin, tin alloys and tin-related products, from September 2003 to June 2010.

Mr Spratt holds a Bachelor of Science in Metallurgy with first class honours from University of New South Wales and is a Life Member of the Stanford Business School Alumni Association. He is also a Fellow of the Institute of Engineers Australia, a Fellow of Australasian Institute of Mining and Metallurgy and a Fellow of the Australian Institute of Company Directors.

Zhimin (Richard) Shi, *Alternate Director to Mr Wu*

Mr Shi was appointed an alternative director for Mr Shaoqing Wu in September 2011.

Mr Shi graduated from the China University of Geosciences in 2004 where he studied a Bachelor Degree in Management majoring in Business Administration.

Mr Shi commenced his career at the Fengli Group in June 2004 and has remained with the Fengli Group to the present day. Mr Shi is now the manager of the investment department at the Fengli Group.

May Chen, *Alternate Director to Dr Zheng*

Ms Chen was appointed an alternate director for Dr Yuewen Zheng in December 2011.

Ms Chen has experience in public audit, internal audit/control, and risk management. She holds Chinese CPA and Californian CPA qualifications as well as a Bachelors Degree and a Masters Degree in Accounting.

Ms Chen was previously an audit partner for PricewaterhouseCoopers in Beijing and has also worked as an audit manager with Zurich Insurance in the US.

She has held previous positions with Deloitte, Chinese CPA and LG. Philips Hong Kong, where she served IPO clients in China and multinational companies with internal control framework as well as SOX compliance work. Ms Chen also gained experience in risk management during her employment in the US.

Executive officers

The following table sets out the names, province or state and country of residence of the executive officers of Galaxy, their positions with Galaxy, the date on which they commenced their positions and the number and percentage of Galaxy Shares beneficially owned, or controlled and directed, directly or indirectly, by them.

Name, province or state and country of residence	Positions with Galaxy	Executive officer since	Galaxy Shares beneficially owned or controlled
John Adam SOBOLEWSKI – Western Australia, Australia	Chief Financial Officer	January 23, 2009	Nil

Name, province or state and country of residence	Positions with Galaxy	Executive officer since	Galaxy Shares beneficially owned or controlled
Andrew Leslie MELONCELI – Western Australia, Australia	Company Secretary (Australia)	November 23, 2009	18,247
Terry Allen STARK – Western Australia, Australia	Managing Director – Resource Division	June 3, 2008	350,286
Qiongwei QIAN – Jiangsu Province, China	Managing Director – Chemical Division	December 5, 2011	Nil
Anand Mahendra SHETH – Western Australia, Australia	Sales and Marketing Director	February 2, 2009	59,481
Jingyuan LIU – Western Australia, Australia	General Manager – Development	February 15, 2010	Nil

Biographical information for each executive officer, including their principal occupations for the last five years, is set forth below.

John Adam Sobolewski, *Chief Financial Officer*

Mr Sobolewski joined Galaxy in January 2009 and has been the Chief Financial Officer since this time. He also served as Company Secretary from January 2009 to November 2009.

Mr Sobolewski was Chief Financial Officer and Company Secretary of Vital Metals Ltd, an ASX-listed mineral resources company from March 2006 to January 2009 and was Company Secretary of Croesus Mining NL from December 2004 to February 2006.

Mr Sobolewski is a member of the Institute of Chartered Accountants in Australia. He received his Bachelor of Commerce in Accounting and Finance from Curtin University of Technology in Australia.

Andrew Leslie Meloncelli, *Company Secretary*

Mr Meloncelli joined Galaxy in November 2009 and has been the Company Secretary since this time. Mr Meloncelli has over seven years' experience in the mining industry having served as Company Secretary for resources companies listed on the ASX and the TSX.

Mr Meloncelli joined Marengo Mining Ltd in November 2007 as Manager – Finance and Treasury and subsequently worked as Company Secretary and Chief Financial Officer from April 2008 to March 2009. Mr Meloncelli is a former Company Secretary of Impress Energy Ltd, an ASX-listed oil and gas exploration and production company, serving from March 2002 to June 2007. He is also a former Company Secretary of Carpathian Resources Ltd where he served from April 2004 to June 2007 and Novacoat Holdings Ltd (now Decmil Group Ltd) where he served from October 2004 to June 2005.

Mr Meloncelli holds a Bachelor of Commerce Degree from the University of Western Australia. He is an Associate Member of the Institute of Chartered Accountants in Australia, a Fellow of Chartered Secretaries Australia, Taxation Institute of Australia and the Financial Services Institute of Australasia.

Terry Allen Stark, *Managing Director – Resource Division*

Mr Stark joined Galaxy in June 2008 and has been the Managing Director — Resource Division of Galaxy since this time. Mr Stark's experience covers both mine development and operations. He is a mining engineer with over 20 years' experience in the nickel, gold, manganese and chromite industries within Australia.

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Mr Stark was a Director of Noble Mineral Resources Ltd, an ASX-listed gold resources company from August 2007 to April 2008. He served as Managing Director of Millennium Minerals Ltd from February 2007 to September 2007 and Operations Manager of Bootu Creek Resources Pty Ltd from August 2005 to June 2006. Prior to which, he served as General Manager for operations of Pilbara Chromite Pty Ltd and General Manager of Pilbara Contracting Pty Ltd, both subsidiaries of manganese and chromite producer, Consolidated Minerals, from August 2001 to November 2002.

Mr Stark has been engaged in both managerial and operational roles for a number of mineral resource companies including, Precious Metals Australia Ltd, Homestake Gold of Australia Ltd Nova Resources NL (now Imagine UN Ltd) and Dominion Mining Ltd.

Mr Stark received his Bachelor of Applied Science in Mineral Engineering from the South Australian Institute of Technology. He holds a West Australian First Class Mine Manager's Certificate of Competency and a Quarry Manager's Certificate of Competency.

Qiongwei Qian, *Managing Director – Chemical Division*

Mr Qian has solid operational and business management experience in the chemical and automotive industries in China. His previous career history includes Managing Director roles with two public companies for more than six years and almost seven years' service with General Motors in various engineering and management functions. Mr Qian obtained a dual Bachelor of Engineering from Shanghai Jiao Tong University and a Master of Business Administration from Harvard Business School.

Anand Mahendra Sheth, *Sales and Marketing Director*

Mr Sheth was appointed as the General Manager of Marketing & Business Development in February 2009 with responsibilities to establish Galaxy's global market for lithium carbonate. He has more than 12 years' experience in the mineral resources industry.

Mr Sheth is a technical marketing professional with experience in the international marketing and global sales of lithium and tantalite mineral products. He was a technical marketing manager for Talison Minerals Pty Ltd (formerly Sons of Gwalia Ltd) for global sales of lithium & tantalite mineral products from November 1998 to January 2009 and an export manager for India of Ferro Corporations (Aust.) Pty Ltd from January 1997 to October 1998.

Mr Sheth received a Bachelor of Technology in Ceramic Engineering from Banaras Hindu University in India.

Jingyuan Liu, *General Manager – Development*

Dr. Liu joined Galaxy as General Manager – Development on February 15, 2010. Dr Liu has over 20 years experience in project management, process design and equipment design involving mineral processing, chemical industries, non ferrous industries, iron and steel industries and energy industries. He has a PhD degree in Chemical Engineering the University of Newcastle, Australia. He previously worked in a senior design role in a mineral processing equipment provider. He has also worked as a consultant at Hatch prior to joining Galaxy.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of Galaxy is, as at the date of this Circular, or was within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including Galaxy), that was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days:

(a) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or

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(b) that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of Galaxy, or a shareholder holding a sufficient number of securities of Galaxy to affect materially the control of Galaxy:

(a) is, as at the date of this Prospectus, or has been within the 10 years before the date of this Prospectus, a director or executive officer of any company (including your company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or

(b) has, within the 10 years before the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of Galaxy, or a shareholder holding a sufficient number of securities of Galaxy to affect materially the control of Galaxy, has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

There are no existing or potential material conflicts of interest between Galaxy or a subsidiary of Galaxy and a director or officer of Galaxy or a subsidiary of Galaxy.

Executive Compensation

For purposes of this Circular, "named executive officer" of Galaxy means an individual who, at any time during the year, was:

(a) Galaxy's chief executive officer (Managing Director) ("CEO");

(b) Galaxy's chief financial officer ("CFO");

(c) each of Galaxy's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year and whose total compensation was, individually, more than $150,000 for that financial year; and

(d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was neither an executive officer of Galaxy, nor acting in a similar capacity, at the end of the most recently completed financial year.

(each a "Named Executive Officer")

Based on the foregoing definition, during the last completed fiscal year of Galaxy, there were five (5) Named Executive Officers, namely, its Managing Director, Ignatius Kim-Seng Tan, its Chief Financial Officer, John A. Sobolewski, its General Manager Operations, Terry Allen Stark, its General Manager Marketing and Business Development, Anand Mahendra Sheth and its Corporate Secretary, Andrew L. Meloncelli.

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Compensation Discussion & Analysis

Compensation Philosophy and Objectives

The Board of Directors determines the executive compensation policy for the executives of Galaxy. The Board evaluates the performance of Galaxy's senior executive officers and reviews the design and competitiveness of Galaxy's compensation plans.

Galaxy's executive remuneration and incentive policies are designed to motivate senior executives to pursue long-term growth and success of Galaxy within an appropriate control framework, to demonstrate a clear correlation between key performance and remuneration and to align the interests of key leadership with the long-term interests of shareholders.

The Board determines the level of "total direct compensation" for each Named Executive Officer based on subjective criteria including the level of past performance, available market data, as well as by the level of responsibility and the importance of the position to Galaxy.

Each year the Board ensures that executive remuneration packages involve a balance between fixed and incentive pay, reflecting short and long term performance objectives appropriate to Galaxy's circumstances and objectives. The Board also ensures that a portion of executives' remuneration is structured in a manner designed to link reward to corporate and individual performance.

Summary Compensation Table

The following table sets forth compensation paid to or earned by the Named Executive Officers for the Company's fiscal years ended December 31, 2011, December 31, 2010, June 30, 2009 and six months ended December 31, 2009.

Name and Principal Position	Year	Salary ($)	Share-based awards ($)	Option-based awards ($)[1]	Non-equity incentive plan compensation ($)		Pension value ($)	All other compensation[3] ($)	Total compensation ($)
					Annual incentive plans[2]	Long-term incentive plans			
I KS Tan Managing Director	Year ended 31 December 2011	532,299	Nil	2,158,757	127,530	Nil	Nil	80,730[3]	**2,899,316**
	Year ended 31 December 2010	440,000	Nil	1,823,023	Nil	Nil	Nil	49,560	**2,312,583**
	Six months ended 31 December 2009	155,769	Nil	2,757,871	Nil	Nil	Nil	24,019	**2,937,659**
	Year ended 30 June 2009	183,419	Nil	200,452	Nil	Nil	Nil	30,034	**413,905**
JA Sobolewski Chief Financial Officer	Year ended 31 December 2011	255,476	Nil	152,368	40,875	Nil	Nil	26,672	**475,391**
	Year ended 31 December 2010	230,000	Nil	203,539	Nil	Nil	Nil	20,700	**454,239**
	Six months ended 31 December 2009	91,154	Nil	691,890	Nil	Nil	Nil	8,204	**791,248**
	Year ended 30 June 2009	74,251	Nil	115,810	Nil	Nil	Nil	6,683	**196,744**
TA Stark GM Operations	Year ended 31 December 2011	337,221	Nil	152,368	53,955	Nil	Nil	35,206	**578,750**
	Year ended 31 December 2010	300,000	Nil	203,539	Nil	Nil	Nil	27,000	**530,539**
	Six months ended 31 December 2009	111,404	Nil	691,890	Nil	Nil	Nil	10,026	**813,320**

	Year ended 30 June 2009	103,976	Nil	279,727	Nil	Nil	Nil	99,357	**483,060**
AM Sheth GM Marketing & Business Development	Year ended 31 December 2011	307,857	Nil	152,368	49,050	Nil	Nil	32,003	**541,278**
	Year ended 31 December 2010	260,763	Nil	203,539	Nil	Nil	Nil	23,469	**487,771**
	Six months ended 31 December 2009	100,917	Nil	691,890	Nil	Nil	Nil	9,083	**801,890**
	Year ended 30 June 2009	77,629	Nil	115,810	Nil	Nil	Nil	6,987	**200,426**
AL Meloncelli Company Secretary	Year ended 31 December 2011	224,798	Nil	661,850	35,970	Nil	Nil	23,469	**946,087**
	Year ended 31 December 2010	200,000	Nil	721,666	Nil	Nil	Nil	18,000	**939,666**
	Six months ended 31 December 2009	17,308	Nil	Nil	Nil	Nil	Nil	1,558	**18,866**
	Year ended 30 June 2009	Nil	Nil	Nil	Nil	Nil	Nil	Nil	**Nil**

Notes:

[1] The fair value of share options is measured using a Black & Scholes option valuation model or Monte-Carlo valuation model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

[2] The non-equity incentive plan compensation - value earned during the year relates to the short-term incentive bonus. At the end of the 12 months ended 30 June the Remuneration and Nomination Committee assesses the actual performance of the Group, the relevant segment and individual against the KPIs set at the start of the 12 months ended 30 June. It was determined that 7.5 out of 10 (75%) Company goals were achieved, resulting in key management personnel receiving 75% of the full bonus entitlement. The basis for the calculation of the bonus is the annual base salary and superannuation of the key management personnel as at 1st July 2010 and was paid in full in July 2011. The Managing Director Short Term Bonus is based at 22.5% and other Senior Management at 15%.

[3] Statutory superannuation is paid to all NEOs at a rate of 9% on gross salary and non-equity incentive plan compensation per Australian taxation requirements. The Managing Director currently receives non-cash benefits such as a motor vehicle and the Group pays fringe benefit tax on these benefits.

Incentive Plan Awards

Outstanding Option-Based and Share-Based Awards

The following table sets forth for each Named Executive Officer, information concerning all option-based and share-based awards outstanding as at December 31, 2011. This includes awards granted before the most recently completed financial year.

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Name and Principal Position ($)	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money options [1] ($)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)	Market or payout value of vested share-based awards that have not paid out or distributed ($)
I KS Tan	1,000,000	0.60	November 27, 2014	105,000	Nil	Nil	Nil
Managing Director	1,500,000	0.60	5 years from vesting	Nil[2]	Nil	Nil	Nil
	2,000,000	0.96	November 27, 2014	Nil	Nil	Nil	Nil
	6,000,000	1.16	5 years from vesting	Nil	Nil	Nil	Nil
JA Sobolewski	450,000	0.60	November 27, 2014	47,250	Nil	Nil	Nil
Chief Financial Officer	750,000	0.60	5 years from vesting	Nil[2]	Nil	Nil	Nil
	1,000,000	1.16	5 years from vesting	Nil	Nil	Nil	Nil
TA Stark	750,000	0.45	April 17, 2014	191,250	Nil	Nil	Nil
GM Operations	500,000	0.60	November 27, 2014	52,500	Nil	Nil	Nil
	750,000	0.60	5 years from vesting	Nil[2]	Nil	Nil	Nil
	800,000	0.90	November 27, 2014	Nil	Nil	Nil	Nil
	1,000,000	1.16	5 years from vesting	Nil	Nil	Nil	Nil
AM Sheth	600,000	0.60	November 27, 2014	63,000	Nil	Nil	Nil
GM Marketing &	750,000	0.60	5 years from vesting	Nil[2]	Nil	Nil	Nil
Business Development	1,000,000	1.16	5 years from vesting	Nil	Nil	Nil	Nil
AL Meloncelli	1,000,000	1.11	July 22, 2016	Nil	Nil	Nil	Nil
Company Secretary	1,000,000	1.16	5 years from vesting	Nil	Nil	Nil	Nil

Notes:

[1] Value of unexercised in-the-money options is calculated based upon the difference between the market value of the Common Shares as at December 31, 2011 ($0.705 closing price on the Australian Stock Exchange) and the exercise price of the options.

[2] Although the exercise price is below the market value of the Common Shares as at December 31, 2011, no value is given as the vesting criteria for these options have not been met.

Value Vested or Earned During the Year

The following table sets forth for each Named Executive Officer, information concerning the value of incentive plan awards-option-based and share-based awards as well as non-equity incentive plan compensation-vested or earned during the financial year ended December 31, 2011.

Name and Principal Position ($)	Option-based awards - Value vested during the year ($)	Share-based awards - Value vested during the year ($)	Non-equity incentive plan compensation - Value earned during the year ($)
I KS Tan Managing Director	Nil	Nil	127,530
JA Sobolewski Chief Financial Officer	Nil	Nil	40,875
TA Stark GM Operations	Nil	Nil	53,955
AM Sheth GM Marketing & Business Development	Nil	Nil	49,050
AL Meloncelli Company Secretary	1,000,000	Nil	35,970

Discussion of plan-based awards

During the financial year ended December 31, 2011, 1,000,000 options to Mr Meloncelli vested at a value of $1.11 per option. The vesting condition applicable to these options was the completion of 18 months of service to the Company.

With respect to the non-equity incentive plan compensation - value earned during the year relates to the short-term incentive bonus. At the end of the 12 months ended 30 June the Remuneration and Nomination Committee assesses the actual performance of the Group, the relevant segment and individual against the KPIs set at the start of the 12 months ended 30 June. It was determined that 7.5 out of 10 (75%) Company goals were achieved, resulting in key management personnel receiving 75% of the full bonus entitlement. The basis for the calculation of the bonus is the annual base salary and superannuation of the key management personnel as at 1st July 2010 and was paid in full in July 2011. The Managing Director Short Term Bonus is based at 22.5% and other Senior Management at 15%.

Director Compensation

Summary Compensation Table

During the financial years ended December 31, 2011, none of the directors of the Company were paid, awarded or granted any compensation with respect to activities performed in their capacity as directors except as noted below. Directors are eligible to participate in the Stock Option Plan. Directors are entitled to be reimbursed for expenses incurred by them in their capacity as directors.

Name	Fees earned ($)	Share-based awards ($)	Option-based awards ($)	Non-equity incentive plan compensation ($)	Pension value ($)	All other compensation ($)	Total ($)
AP Tse	253,557[9]	Nil	203,532	49,050[4]	Nil	Nil	506,139
CBF Whitfield	253,557[9]	Nil	203,532	49,050[4]	Nil	Nil	506,139
CL Readhead	120,000[7]	Nil	539,689	Nil	Nil	Nil	659,689
RJ Wanless	70,000[6]	Nil	438,063	Nil	Nil	6,300	514,363
KC Kwan	70,000[6]	Nil	203,252	Nil	Nil	Nil	273,252
IJ Polovineo [1]	50,864[6]	Nil	(203,539)[8]	Nil	Nil	Nil	(152,675)

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X Ren	70,000[6]	Nil	203,252	Nil	Nil	Nil	273,252
Y Zheng	70,000[6]	Nil	304,879	Nil	Nil	Nil	374,879
M Spratt [2]	62,083[6]	Nil	128,586	Nil	Nil	69,588[5]	260,257
S Wu [3]	59,375[6]	Nil	128,586	Nil	Nil	Nil	187,961

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Notes:

[1] Resigned September 16, 2011

[2] Appointed February 11, 2011

[3] Appointed February 24, 2011

[4] This amount relates to the short-term incentive bonus. At the end of the 12 months ended 30 June the Remuneration and Nomination Committee assesses the actual performance of the Group, the relevant segment and individual against the KPIs set at the start of the 12 months ended 30 June. It was determined that 7.5 out of 10 (75%) Company goals were achieved, resulting in key management personnel receiving 75% of the full bonus entitlement. The basis for the calculation of the bonus is the annual base salary and superannuation of the key management personnel as at 1st July 2010 and was paid in full in July 2011.

[5] As Mr Spratt and Mr Wanless elect for their fees earned to be paid as salary, statutory superannuation is paid at a rate of 9% of fees earned, per Australian taxation requirements. Mr Spratt also received $64,000 in consulting fees that related to work done on the commissioning of the Jiangsu lithium plant outside of his role as a director.

[6] Total compensation for all non-executive directors, last voted upon by shareholders at the 22 December 2010 General Meeting, is not to exceed $800,000 per annum and is set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. Directors' base fees are presently up to $70,000 per annum.

[7] Mr Readhead the Chairperson, receives $120,000 per annum. This fee covers all main board activities and memberships of committees.

[8] Options previously expensed were forfeited on resignation.

[9] Mr Tse and Mr Whitfield are executive directors and are paid at a higher rate than their non-executive colleagues.

Outstanding Option-Based and Share-Based Awards

The following table sets forth fall outstanding awards held by the directors of the Company as at December 31, 2011. This includes awards granted before the most recently completed financial year.

	Option-based Awards				**Share-based Awards**		
Name and Principal Position	**Number of securities underlying unexercised options**	**Option exercise price**	**Option expiration date**	**Value of unexercised in-the-money options[1]**	**Number of shares or units of shares that have not vested**	**Market or payout value of share-based awards that have not vested**	**Market or payout value of vested share-based awards that have not paid out or distributed**
($)	**(#)**	**($)**		**($)**	**(#)**	**($)**	**($)**
CL Readhead	250,000	0.60	November 27, 2014	26,250	Nil	Nil	Nil
	500,000	0.60	5 years from vesting	52,500	Nil	Nil	Nil

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CL Readhead	500,000	0.60	November 27, 2014	52,500	Nil	Nil	Nil
	500,000	0.96	July 22, 2016	Nil	Nil	Nil	Nil
	1,500,000	1.16	5 years from vesting	Nil	Nil	Nil	Nil
RJ Wanless	250,000	0.60	November 27, 2014	26,250	Nil	Nil	Nil
	500,000	0.60	5 years from vesting	52,500	Nil	Nil	Nil
	500,000	0.60	November 27, 2014	52,500	Nil	Nil	Nil
	500,000	0.96	July 22, 2016	Nil	Nil	Nil	Nil
	1,000,000	1.16	5 years from vesting	Nil	Nil	Nil	Nil
Y Zheng	1,500,000	1.16	5 years from vesting	Nil	Nil	Nil	Nil
X Ren	1,000,000	1.16	5 years from vesting	Nil	Nil	Nil	Nil
S Wu[3]	1,000,000	1.16	5 years from vesting	Nil	Nil	Nil	Nil
KC Kwan	1,000,000	1.16	5 years from vesting	Nil	Nil	Nil	Nil
DM Spratt[2]	1,000,000	1.16	5 years from vesting	Nil	Nil	Nil	Nil
A Tse	1,000,000	1.16	5 years from vesting	Nil	Nil	Nil	Nil
C Whitfield	1,000,000	1.16	5 years from vesting	Nil	Nil	Nil	Nil

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Notes:

[1] Value of unexercised in-the-money options is calculated based upon the difference between the market value of the Common Shares as at December 31, 2011 ($0.705 closing price on the Australian Stock Exchange) and the exercise price of the options.

[2] Mr Spratt was appointed on February 11, 2011

[3] Mr Wu was appointed on February 24, 2011

Value Vested or Earned During the Year

The following table sets forth for each director, information concerning the value of incentive plan awards-option-based and share-based awards as well as non-equity incentive plan compensation-vested or earned during the financial year ended December 31, 2011.

Name and Principal Position ($)	**Option-based awards - Value vested during the year ($)**	**Share-based awards - Value vested during the year ($)**	**Non-equity incentive plan compensation - Value earned during the year ($)**
CL Readhead	Nil	Nil	Nil
RJ Wanless	Nil	Nil	Nil
Y Zheng	Nil	Nil	Nil
X Ren	Nil	Nil	Nil
S Wu	Nil	Nil	Nil
KC Kwan	Nil	Nil	Nil
DM Spratt	Nil	Nil	Nil
A Tse	Nil	Nil	49,050[1]
C Whitfield	Nil	Nil	49,050[1]

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Notes:

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[1] This amount relates to the short-term incentive bonus. At the end of the 12 months ended 30 June the Remuneration and Nomination Committee assesses the actual performance of the Group, the relevant segment and individual against the KPIs set at the start of the 12 months ended 30 June. It was determined that 7.5 out of 10 (75%) Company goals were achieved, resulting in key management personnel receiving 75% of the full bonus entitlement. The basis for the calculation of the bonus is the annual base salary and superannuation of the key management personnel as at 1st July 2010 and was paid in full in July 2011.

Pension Plan Benefits

Galaxy does not offer pension plan benefits to its officers, directors and employees. Under Australian legislation, Galaxy is required to pay superannuation contributions to all of its employees for plans chosen by such employees.

Termination and Change of Control Benefits

Pursuant to the terms of an employment agreement with Mr Tan, Galaxy may terminate the agreement by giving three (3) months notice. Should the agreement be terminated by Galaxy without three (3) months notice, payment in lieu of the remaining notice period is payable.

Indebtedness of Directors and Executive Officers

None of Galaxy's directors, executive officers or management, nor any associate of such director, executive officer or manager, during the financial year ended December 31, 2011 and the financial year ended December 31, 2010, were indebted to Galaxy or any of its subsidiaries. In addition, none of the indebtedness of these individuals to another entity has been the subject of a guarantee, support agreement, letter of credit of similar arrangement or understanding of Galaxy or its subsidiaries.

The Board and Corporate Governance

Galaxy's board is committed to protecting and enhancing shareholder value and conducting business ethically and in accordance with high standards of corporate governance.

Galaxy's corporate governance principles and practices manual are reviewed and updated as necessary during the year.

A description of the Galaxy's main corporate governance practices is set out below. Copies of the relevant corporate governance policies are available in the corporate governance section of Galaxy's website at www.galaxylithium.com.

The board will continue to review and develop its corporate governance practices and the corporate governance section of the website will be updated with policies and procedures as they are formally adopted by Galaxy.

The Role of the Board and the Board Charter

The board operates in accordance with the broad principles set out in Galaxy's board charter. The board is responsible for guiding and monitoring Galaxy on behalf of Galaxy Shareholders. The board's primary responsibility is to oversee business activities and management for the benefit of Galaxy Shareholders.

Day to day management of Galaxy's affairs and the implementation of corporate strategies and policy initiatives are delegated by the board to the managing director and senior executives, as set out in the board charter.

The board charter sets out the following overall powers and responsibilities of the board:

- overseeing the development of Galaxy's corporate strategy through constructive engagement with senior executives;

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- reviewing and approving strategy plans and performance objectives of Galaxy consistent with the corporate strategy, and reviewing the assumptions and rationale underlying the strategy plans and performance objectives; and

- monitoring implementation of the strategy plans.

Specific powers and responsibilities reserved to the board in the board charter include:

- appointing, removing and monitoring the performance of the managing director, chief financial officer and company secretary, determining their terms;

- conditions of employment and ratifying other key executive appointments and planning for executive succession;

- reviewing and ratifying systems of risk management and internal control and compliance, codes of conduct and legal compliance;

- reviewing and ratifying financial and other reporting;

- reviewing and ratifying major capital expenditure, capital management and acquisitions and divestitures; and

- approving the issue of any shares, options or other securities in Galaxy.

Managing Director

The managing director is responsible for running Galaxy's affairs under delegated authority from the board and implementing the policies and strategy set by the board. In carrying out his responsibilities the managing director must report to the board in a timely manner and ensure all reports to the board present a true and fair view of Galaxy's financial condition and operational results.

Directors Code of Conduct

The board has adopted a directors code of conduct which establishes a protocol under which each director is required to disclose certain interests and advise the board in circumstances where a potential conflict of interest may arise. The directors code of conduct also sets out the procedures to be followed where the chairman determines that a director's interest in a matter may be sufficiently material or may result in a conflict of interest occurring.

Board Composition

As at the date of this Circular, Galaxy has eleven directors: eight non-executive directors including the chairman, and three executive directors.

Board composition size and structure will be reviewed annually to ensure that the non-executive directors between them bring the range of skills, knowledge and experience necessary to direct Galaxy. All directors, other than the managing director, are required to retire and stand for re-election by Galaxy Shareholders, every three years.

Chairman

The chairman is appointed by the directors and is responsible for chairing board and other company meetings, providing leadership to the board and the company, ensuring there are procedures and processes in place to evaluate the board and its committees and individual directors and that such evaluations are conducted, and facilitating effective discussion at board meetings.

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Mr Readhead is the current chairman of Galaxy, and is considered not independent. However, with consideration to his relevant experience and skills, it is considered appropriate for Mr Readhead to continue as chairman.

Director Independence

Galaxy's board charter provides criteria for the assessment of the independence of directors. A director may be considered by the board to be independent where the director does not meet one or more of the criteria. An independent director is a non-executive director who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of the director's unfettered and independent judgement.

The Board considers Messrs Wanless, Kwan and Spratt to be independent and Zheng, Ren and Wu to be non-independent. Furthermore, the alternate directors for Zheng and Wu, Chen and Shi respectively, are considered to be non-independent.

As a result of these classifications, the board may not be composed of a majority of independent directors. The board will continue to assess its size and composition with a view to ensuring compliance with corporate governance principles and recommendations. If any director has a material interest in a matter, the director will not be permitted to vote on the matter.

Several of Galaxy's directors serve on the boards of other listed companies. Craig Readhead serves on the boards of Frankland River Olive Company Limited, General Mining Corporation Limited, Heron Resources Limited, India Resources Limited and Beadell Resources Limited. Robert Wanless serves on the board of General Mining Corporation Limited. Xiaojian Ren serves on the board of Creat Resources Holdings Limited. Kai Cheong Kwan serves on the boards of JF Household Furnishings Limited, China Properties Group Limited, SPG Land Holdings Limited, Win Hanverky Holdings Limited and Hutchison Harbour Ring Limited. David Spratt serves on the boards of Brockman Resources Limited and Kasbah Resources Limited.

Directors' Access to Independent Advice

Galaxy recognises that, from time to time, a director may need to obtain his or her own expert advice in order to discharge that director's duties. The directors must ensure, to the extent possible, that any advice obtained is independent of the company. Any reasonable expenses incurred in obtaining that advice will be met by Galaxy.

Board Meetings

The board meets at least eight times each year, and full board meetings are usually held every six weeks. From time to time meetings are convened outside the scheduled dates to consider issues of importance. Board members are encouraged to visit Galaxy's operations at least once per year.

Board Committees

The board has established an Audit Committee, Remuneration and Nomination Committee and a Risk Management Committee.

Audit Committee

The Audit Committee is comprised of Messrs Kwan (Chairman), Readhead, Wanless, Spratt and Zheng, who are all independent directors and financially literate. For a description of the relevant education and experience of the Audit Committee members, please see the heading "Directors" under the "Directors and Executive Officers" section. The Audit Committee generally meets twice during a financial year. The Audit Committee's overall role is to assist the board in fulfilling its responsibilities in respect of Galaxy's financial reporting and audit, internal control and financial risks.

The Audit Committee's specific responsibilities include (but are not limited to):

- evaluating the effectiveness of the Galaxy's internal control measures, and gaining an understanding of whether internal control measures are adequate;
- ensuring recommendations made by external auditors have been implemented;
- understanding the current areas of greatest financial risk for the company and management's response to minimising those risks;
- reviewing significant accounting and reporting issues; and
- reviewing annual financial reports, and meeting with management and external auditors to discuss the reports and the results of the audit.

The managing director, chief financial officer and the external auditors usually attend Audit Committee meetings.

External Auditor Service Fees

Audit Fees

For the year ended December 31, 2011, Galaxy was billed A$274,000 by KPMG Australia and A$45,000 by KPMG People's Republic of China for audit services.

For the year ended December 31, 2010, Galaxy was billed A189,910 by KPMG Australia and A$45,000 by KPMG People's Republic of China for audit services.

Audit-Related Fees

For the year ended December 31, 2011, Galaxy was billed A$55,000 by KPMG Australia for other assurance services. Galaxy was not billed for other assurance services in the year ended December 31, 2010.

Tax Fees

For the year ended December 31, 2011, Galaxy was billed A$77,325 by KPMG Australia for taxation services. Galaxy was not billed for taxation services in the year ended December 31, 2010.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is comprised of Messrs Readhead (Chairman), Kwan, Spratt and Zheng. Mr Meloncelli is the secretary to the Remuneration and Nomination Committee. It generally meets at least once during a financial year.

The Remuneration and Nomination Committee's specific responsibilities include (but are not limited to):

- reviewing and recommending to the board the size, composition and membership of the board;
- developing and facilitating the process for board and director evaluation;
- making recommendations to the board on remuneration of directors and senior executives; and
- reviewing the managing director's performance, at least annually.

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Risk Management Committee

The Risk Management Committee is comprised of Messrs Zheng (Chairman), Wanless, Kwan, Spratt and Readhead. Mr Meloncelli is the secretary to the committee. It generally meets at least one time during a financial year.

The Risk Management Committee is responsible for the identification of significant areas of business risk, implementing procedures to manage such risks and developing policies regarding the establishment and maintenance of appropriate ethical standards to:

- ensure compliance in legal statutory and ethical matters;
- monitor the business environment;
- identify business risk areas; and
- identify business opportunities.

The board has delegated responsibility to the Risk Management Committee to review and report to the board that:

- the company's ongoing risk management program effectively identifies all areas of potential risk;
- adequate policies and procedures have been designed and implemented to manage identified risks;
- a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
- proper remedial action is undertaken to redress areas of weakness.

Galaxy has in place specific policies and programs addressing certain strategic, financial, operational and compliance risks. Comprehensive reports addressing each of these areas are provided regularly to management and the board. In addition, Galaxy has in place a crisis and emergency management system designed to address emergencies at any of the company's operating sites.

Securities Trading Policy

Galaxy has a policy imposing restraints on directors and senior executives dealing in the company's securities. The policy is aimed at minimising the risk of directors and senior executives contravening insider trading laws, ensuring Galaxy is able to meet its reporting obligations under the ASX Listing Rules and increasing transparency with respect to trading in the company's securities by directors and senior executives. A copy of this policy is located on Galaxy's website.

Indemnities

Galaxy has entered into good faith, protection and access deeds with each director. These deeds provide access to documentation, indemnification against liability from conduct of the company's business and subsidiaries, and directors' and officers' liability insurance.

Directors and Senior Executives Performance Evaluation and Remuneration

The board annually self assesses its collective performance, and assesses the performance of individual directors and of board committees. The assessment is undertaken using discussions and, where applicable, advice from external consultants.

Galaxy's policy and procedure for selection and appointment of new directors and its remuneration policy are available on its website.

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Disclosure and Communication Policy

Galaxy has established a disclosure and communication policy. This policy outlines corporate governance measures adopted by Galaxy to further its commitments. It seeks to incorporate:

- Principle 5 (Make timely and balanced disclosure) and Principle 6 (Respect the rights of shareholders) of the ASX Corporate Governance Council's: Corporate Governance Principles and Recommendations;
- the principles in Guidance Note 8 - Continuous Disclosure: Listing Rule 3.1 issued by ASX; and
- disclosure obligations in the ASX Listing Rules.

The company secretary has primary responsibility for ensuring that the ASX disclosure requirements are met. A copy of this policy is located on Galaxy's website.

Auditors

The external auditor attends the annual general meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Ethical Standards and Conduct

Galaxy has a corporate code of conduct providing a framework of principles for conducting business and dealing with stakeholders. Employees are required to perform and act with integrity, fairness and in accordance with the law and to avoid real or apparent conflicts of interest. In addition, Galaxy has also established a board code of conduct for directors, which establishes guidelines for their conduct in carrying out their duties. Copies of both codes of conduct are located on Galaxy's website.

Corporate Governance Principles and Recommendations

Galaxy has complied with each of the eight corporate governance principles and recommendations as published by ASX Corporate Governance Council, other than where indicated in the table below.

Principle No.	**Best Practice Principle**	**Commentary**	**Galaxy's mechanism for dealing with non compliance**
1	Lay solid foundations for management and oversight.	Galaxy complies with this principle.	Not applicable.
2	Structure the board to add value.	The Chairman is not considered independent. Messrs Wanless, Kwan and Spratt (three of eleven directors) are considered independent.	The board considers that the board structure appropriate at this time and is consistent with the business activities of Galaxy.
3	Promote ethical and responsible decision-making.	Galaxy complies with this principle.	Not applicable.
4	Safeguarding integrity	Galaxy complies with this principle.	Not applicable

	in financial reporting.		
5	Make timely and balanced disclosure.	Galaxy complies with this principle.	Not applicable
6	Respect the rights of shareholders.	Galaxy complies with this principle.	Not applicable.
7	Sound systems to recognise and manage risk.	Galaxy complies with this principle.	Not applicable.
8	Remunerate fairly and responsibly.	Galaxy substantially complies with this Principle. Non-executive directors have received performance options to provide incentive to grow Galaxy.	The board considers that the issue of performance options to non-executive directors appropriate as it aligns the interests of the non-executive directors with Galaxy Shareholders.

RISK FACTORS

You should carefully consider all of the information set out in this Circular, including the risks and uncertainties described below in respect of Galaxy business and the industry it operates in, before making an investment in Galaxy Shares being offered in this Arrangement. The risks described below are not the only ones Galaxy face. You should pay particular attention to the fact that our principal operations are conducted in Australia and the PRC and are governed by legal and regulatory environments that in some respects differ from that which prevail in other countries. Galaxy's business, financial condition or results of operations could be affected materially and adversely by any of these risks. The trading price of Galaxy Shares offered in this Arrangement could decline due to any of these risks, and you may lose all or part of your investment.

The following section provides a description of (i) risks relating to Galaxy's business and the industry in which it operates, and (ii) risks relating to Listing and residence of Galaxy in Australia. Additional risks and uncertainties not presently known to Galaxy, or not expressed or implied below, or that are presently deemed immaterial, could also harm Galaxy's business, financial condition and operating results. Lithium One Shareholders should consider carefully all the information set forth in the Circular and, in particular, this section in connection with an investment in us.

RISKS RELATING TO GALAXY'S BUSINESS AND THE INDUSTRY IN WHICH IT OPERATES

Galaxy's mining and processing activities at the Mt Cattlin Property are subject to operational risk.

Galaxy's spodumene mining operations and processing operations are subject to a number of operational risks, some of which are beyond its control. These risks include unexpected maintenance, technical problems, unusual and unexpected geological formations, pit wall failures, flooding, periodic interruptions to Galaxy's mining operations due to inclement or hazardous conditions and natural disasters, industrial accidents, power or fuel supply interruptions and critical equipment failure. Ore crushing and processing operations are subject to additional hazards such as equipment failure, fire, or changes in ore characteristics such as rock hardness or mineralogy. This may impact production rates and recovery of spodumene and the ability to continue to produce spodumene concentrate with certain quality specifications. The occurrence of any of these events could result in temporary, and in severe cases, permanent disruption of Galaxy's 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,

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which in turn may also materially and adversely affect its business, results of operations, financial condition and prospects.

Galaxy's lithium carbonate processing activities at the Jiangsu Plant will be subject to operational risk.

Galaxy's lithium carbonate processing operations at its Jiangsu Plant will be 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 could all occur at the Jiangsu Plant. 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.

The commercial feasibility of the Jiangsu Plant has not been fully established and it is yet to demonstrate whether it is capable of operating at the targeted level of economic production.

The Jiangsu Plant has been designed by Galaxy with the intention of producing 17,000 tpa of lithium carbonate with purity levels of at least 99.5%. However, given it is undergoing commissioning, it is yet to demonstrate such capability and therefore there is a risk that the plant's designed production rate and / or purity level of lithium carbonate may not be achieved, or achieved only with further capital expenditure which could have a material and adverse effect on Galaxy's business, results of operations, financial condition and prospects.

Galaxy currently expects it will take approximately 12 months to reach the Jiangsu Plant's designed lithium carbonate production rate and purity level from commencement of production. This may take longer than expected, which could have a material and adverse effect on Galaxy's business, results of operations, financial condition and prospects.

Galaxy will depend on the Mt Cattlin Property and the Jiangsu Plant for substantially all of its revenues and cash flows from operating activities in the near term.

The Mt Cattlin Property and the Jiangsu Plant are likely to be Galaxy's only producing projects in the near term. Consequently, any adverse development, delay or difficulty encountered at the Mt Cattlin Property or the Jiangsu Plant, including any failure of the Mt Cattlin Property to produce expected amounts or quality of spodumene concentrate, 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, labor 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.

Galaxy is vulnerable to fluctuations in prices for lithium carbonate.

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, utilization 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.

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If realized lithium carbonate prices fall Galaxy's business, results of operations, financial condition and prospects could materially and adversely affected.

Galaxy's offtake agreements may not deliver the expected revenues.

Galaxy has entered into offtake 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 realized, could materially and adversely affect Galaxy's business, results of operations, financial condition and prospects.

Galaxy may not be able to compete effectively with its competitors.

Galaxy operates in a competitive environment. 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 PRC and therefore mainly competes with PRC-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 PRC. 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.

Galaxy is vulnerable to fluctuations in the availability and cost of production inputs such as utilities, equipment, materials and labour.

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 Mt Cattlin Property and the Jiangsu Plant 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.

Galaxy may be materially and adversely affected by its indebtedness.

Galaxy has entered into loan facilities and issued convertible bonds to provide funds for the development of its Mt Cattlin Property and Jiangsu Plant. This indebtedness subjects Galaxy to a number of risks, including but not limited to Galaxy ability to meet its interest and principals payments and other covenants, obtain additional financing in the future on reasonable terms or at all and an increase in the cost of Galaxy's borrowing due to fluctuations in market

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interest rates. If any of these risks materialize, they may have a material and adverse impact on Galaxy's business, results of operations, financial condition and prospects.

Galaxy has reported losses after income tax on a consolidated basis since its inception and may incur additional losses in the future.

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 Shares, restrict its ability to pay dividends, impair its ability to raise capital, obtain financing, repay debts and expand its business.

Galaxy may be unable to obtain, retain or renew required government approvals, permits and licenses for its operations.

The continuing operation of mining and processing enterprises such as Galaxy's are 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.

Galaxy could encounter difficulty meeting future capital expenditure requirements.

The exploration for, and mining of, lithium mineral resources and subsequent downstream chemical processing into lithium carbonate requires substantial capital investment. Galaxy's development and expansion plans may also result in increases in capital expenditure and commitments. Galaxy may require additional funding for the Mt Cattlin Property, the Jiangsu Plant and generally to expand its business. Galaxy may be required to seek funding from third parties if cash generated internally and available bank facilities are insufficient to finance these activities. In the event that Galaxy is unable to obtain adequate financing on acceptable terms, or at all, to satisfy operating, development and expansion plans, its business, results of operations, financial condition and prospects may be materially and adversely affected.

Galaxy's business could suffer as a result of a change in laws or regulations.

Galaxy's business is subject to extensive government environmental regulation, both in Australia and the PRC, 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 maximize its profitability, which may have an adverse effect on Galaxy's business, results of operations, financial condition and prospects.

Galaxy's mining operations are also subject to the payment of various Australian State and Federal royalties and taxes. There is a risk that the royalty and tax regime could change resulting in higher costs for Galaxy's operations. The Federal Government of Australia has legislated to introduce a new tax on profits from mining operations in Australia from 1 July 2012, the Minerals Resource Rent Tax, or "MRRT". Currently, the MRRT does not apply to lithium. However, there is a risk that the MRRT will be expanded to other commodities. The Federal Government of Australia also recently legislated the introduction of a carbon tax from 1 July 2012. The introduction of these taxes or any other changes to the Australian mining royalty or tax regime may have an adverse effect on Galaxy's business, results of operations, financial condition and prospects.

Foreign currency fluctuations could affect revenue, expenses and future earnings.

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

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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.

Galaxy may not be able to attract, retain and train 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.

Galaxy relies substantially on third party contractors to conduct its operations at the Mt Cattlin Property and the Jiangsu Plant.

Galaxy's commercial practice is to sub-contract various services at the Mt Cattlin Property and 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.

Galaxy relies on third party transportation to conduct its operations at the Mt Cattlin Property and the Jiangsu Plant.

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 of Galaxy's ability to transport materials according to schedules and contractual commitments and could have a material adverse effect on Galaxy's business, results of operations and financial performance.

Galaxy's operations are exposed to safety risks and the occurrence of 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.

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Galaxy's operations are exposed to environmental risks and hazards.

All phases of Galaxy's operations are subject to environmental laws and regulations in the jurisdiction in which Galaxy operates, including laws regulating the removal of natural resources from the ground and the discharge of materials into the environment. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation or regulatory action, if any, will not adversely affect Galaxy's operations. Environmental laws may change and make the mining and processing of ore uneconomic, or result in significant environmental or reclamation costs. Environmental hazards, which are unknown to Galaxy at the present time and which have been caused by previous or existing owners or operators of the properties, may exist on the properties on which Galaxy holds interests, and such hazards may cause Galaxy to incur significant costs that could have a material adverse effect upon its financial performance and results of operations

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.

Galaxy's operations are exposed to the risk of severe weather conditions.

Severe weather conditions, such as heavy rainfall, may require personnel to be evacuated or operations to be curtailed and may result in damage to project sites, equipment or facilities, which could result in the temporary suspension of operations or generally reduce productivity. During periods of curtailed activity due to adverse weather conditions, Galaxy may continue to incur operating expenses, thus materially and adversely affecting its business, results of operations, financial condition and prospects.

Galaxy's insurance coverage could prove inadequate to satisfy potential claims.

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 the PRC and Australia to cover certain other 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.

Galaxy may face competing claims over its properties in Australia such as native title, Aboriginal heritage claims and private land owner claims which may require approval to be obtained and compensation to be paid.

The Australian Native Title Act 1993 (Cth) recognizes native title and establishes processes relating to the grant of certain interests in land (including mining tenements). Indigenous Australians have registered native title claims and native title determinations which overlap with mining tenements in which Galaxy has an interest. Registered native title claimants may be entitled to participate in the Native Title Act 1993 (Cth) procedures in respect of the grant of any pending tenement applications or any future mining tenements should they be required. This process may cause

delays in the grant of the current tenement applications or any future tenements, or tenements may be granted subject to conditions that are unfavorable to Galaxy. Additionally, Galaxy's ability to gain access to those tenements may be adversely affected. All of Galaxy's existing tenements and tenements for which it has applied are affected by registered or determined native title claims. However, the portion of mining lease M74/244 which Galaxy is currently mining is located over areas of freehold title (which Galaxy owns). Accordingly, native title over the area of Galaxy's current mine has been extinguished, and Galaxy does not need to negotiate or enter into compensation arrangements with native title claimants in respect of that area.

If tenement applications overlap with other pre-existing types of land tenure (for example, pastoral leases in Australia), Galaxy may be required to commence negotiations with the relevant titleholders to gain access to the underlying land and such negotiations may not be successful.

Galaxy's ore reserves and mineral resources are estimates based on a number of assumptions, any adverse changes in which could require Galaxy to lower its ore reserves and mineral resources.

Galaxy's ore reserves and mineral resources estimates are prepared in accordance with the JORC Code and are based on assumptions, knowledge, experience and industry practice in conjunction with information available at the time the estimate is prepared. The estimates are imprecise and depend to some extent on interpretations, which may ultimately prove to be inaccurate. Material changes in ore reserves resulting from unexpected changes to the lithium price, grades, production costs, stripping ratios and recovery rates may affect their economic viability and ore reserve estimates may have to be adjusted downward. Should Galaxy encounter mineralization different from that predicted by past drilling, sampling and similar examination, mineral resource and / or ore reserve estimates may have to be adjusted downward. This downward adjustment could materially affect Galaxy's development and mining plans.

If any of the risks materialize, they may have a material and adverse impact on Galaxy's business, results of operations, financial condition and prospects.

Exploration of mineral properties is highly speculative in nature, requires substantial expenditures and is often unsuccessful. Mineral resources may not be extracted at a profit.

Discovery of new mineral resources is crucial to Galaxy's ability to continue to operate beyond the life of its existing ore reserves. 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 materialize, could materially and adversely affect Galaxy's business, results of operations, financial condition and prospects.

Impairment of asset carrying values.

The carrying amounts of the Galaxy's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

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Factors which may affect carrying values include, but are not limited to, lithium concentrate prices, capital cost estimates, mining, processing and other operating costs, grade and metallurgical characteristics of ore, mine design and timing of production.

Galaxy's operations in the PRC are subject to numerous risks associated with operating in foreign jurisdictions.

The Jiangsu Plant will be located in the PRC. Accordingly, Galaxy's business, results of operations, financial position and prospects are subject to, to a significant degree, economic, political and legal developments in the PRC.

PRC Regulatory Environment

The PRC legal system is based on a statutory law system. Unlike the common law system, prior legal decisions and judgments are relevant for guidance only but do not have precedent effect. Since 1979, the PRC Government has been developing a commercial law system, and progress has been made in promulgating laws and regulations relating to economic affairs and matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, these regulations are relatively new and the availability of public cases as well as the judicial interpretation of them are limited in number; moreover, as prior court decisions are not binding, both the implementation and interpretation of these laws, regulations and legal requirements are uncertain in many areas. Accordingly, there is a risk that some of Galaxy's existing and future contractual rights may not be fully enforceable under the PRC legal system.

Furthermore, Galaxy's business, results of operations, financial position and prospects could also be materially and adversely affected by: (i) changes in the rate or method of taxation; (ii) imposition of additional restrictions on currency conversion and remittances abroad; (iii) reduction in tariff or quota protection and other import restrictions; (iv) changes in the usage and costs of PRC-controlled transportation services; (v) PRC policies affecting the lithium industry; or (vi) industrial disruptions.

Foreign Exchange Regulation

Foreign exchange transactions under Galaxy's capital account, including principal payments in respect of foreign currency-denominated obligations and payments of dividends and interest, continue to be subject to significant foreign exchange controls and require the approval of the State Administration for Foreign Exchange ("SAFE"). These limitations could materially and adversely affect its ability to obtain foreign exchange through debt or equity financing, or to obtain foreign exchange for capital expenditures.

Galaxy is currently able to repatriate all RMB funds and make payments of dividends and distributions of profits from RMB funds, although such repatriations and payments are subject to various controls and regulations. While the PRC Government is generally relaxing restrictions on foreign trade and investment, there is no certainty that future RMB can be repatriated or distributed.

In 2005, the PRC revalued the exchange rate of the RMB to the US$ and abolished the RMB to US$ peg applied in the past. There can be no assurance that in the future, the PRC will not revalue the RMB or permit its substantial appreciation. Any appreciation of the RMB could materially and adversely affect Galaxy's business and operations results, through higher foreign currency denominated operating costs and lower financial returns in A$ terms.

Any significant restrictions on Galaxy's ability to make transaction under its capital account, repatriate or distribute RMB funds or an appreciation of the RMB could materially and adversely affect Galaxy's business, results of operations, financial condition and prospects.

Galaxy's subsidiary in the PRC is subject to restrictions on dividend payments, on making other payments to Galaxy or any other affiliated company, and on borrowing or allocating tax losses among Galaxy's subsidiaries.

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Current PRC regulations permit Galaxy's subsidiary in the PRC, GLJL, to pay dividends only out of its accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, GLJL is required to set aside at least 10% of its respective accumulated profits each year, if any, to fund its statutory common reserves until such reserves have reached at least 50% of its registered capital. As at the date of this Circular, the common reserves of GLJL had not reached this threshold and, accordingly, GLJL is required to continue funding such reserves with accumulated net profits. The statutory common reserves are not distributable as cash dividends except in the event of liquidation. These restrictions may affect Galaxy's ability to pay dividends or make other payments.

PRC regulations relating to employee stock options granted by overseas-listed companies may increase Galaxy's administrative burden, restrict its overseas and cross-border investment activity or otherwise adversely affect the implementation of its acquisition strategy. If Galaxy's PRC employees, who are granted or exercise stock options, fail to make any required registrations or filings under such regulations, Galaxy may become subject to liability under PRC laws.

On March 28, 2007, SAFE promulgated the Application Procedure of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Holding Plan or Stock Option Plan of Overseas-Listed Company, or the Stock Option Rule. Under the Stock Option Rule, PRC residents who are granted stock options by an overseas publicly-listed company are required, through a PRC agent or PRC subsidiary of such overseas publicly-listed company, to register with SAFE and complete certain other procedures. Galaxy and its PRC employees who have been granted stock options are subject to the Stock Option Rule. Galaxy and its PRC employees will apply for registration with SAFE. If Galaxy or its optionees in the PRC fail to comply with the Stock Option Rule or are unable to successfully register the stock options, Galaxy or its optionees in the PRC may be subject to fines and legal sanctions. Galaxy may also be subject to more stringent review and approval processes with respect to its foreign exchange activities.

RISKS RELATING TO LISTING AND RESIDENCE OF GALAXY IN AUSTRALIA

Galaxy is listed on the ASX, and, as with companies listed on the TSX-V, there is no assurance that an active trading market for particular shares will be sustained and no assurance that the market price for particular shares will not decline.

The market price of Galaxy Shares could be subject to significant fluctuations due to various external factors and events, including the liquidity of Galaxy Shares in the market, any difference between Galaxy's actual financial or operating results, general economic conditions, currency exchange rates and broader marker-wide fluctuations. The market price of Galaxy Shares when quoted on the ASX will be influenced by international and domestic factors affecting conditions in equity and financial markets. These factors may affect the price for the securities of minerals exploration and development companies quoted on the ASX, including Galaxy Shares.

The characteristics of the Australian share market and Canadian share market are different. They are both subject to different reporting requirements, listing rules, regulatory bodies, oversight procedures and codes of practice.

Following below are some of the key differences between the ASX and TSX-V.

	TSX-V	ASX
Continuous disclosure	Galaxy must comply with continuous disclosure requirements by which it must immediately release any material information concerning its business and affairs that would result in or would reasonably be expected to result in a significant change in the market price or value of its securities.	Galaxy must comply with continuous disclosure requirements by which it must immediately release any information concerning itself that a reasonable person would expect to have a material effect on the price or value of its securities, subject to a number of exceptions.
Mineral and reserve	All reports prepared by Galaxy must	All reports prepared by Galaxy must be

	TSX-V	ASX
reporting	be prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects.	prepared in accordance with the JORC code if they include statements regarding exploration results or mineral resources or ore reserves.
Regulatory bodies	Disclosure on the TSX-V is regulated by applicable Securities Laws, provincial Securities Commissions and National Instruments.	Disclosure on ASX is regulated by both the Australian Securities and Investments Commission and ASX. The Takeovers Panel also has a role in regulating takeovers in Australia.
Reporting requirements	As a mineral exploration and development company, Lithium One is required to have all disclosure based upon or approved by a qualified person and file a Technical Report upon becoming a reporting issuer, in addition to the periodic reporting requirements which all companies listed on the TSX-V must comply with.	As a mining producing entity, Galaxy is required to release quarterly reports on ASX in addition to the periodic reporting requirements which all companies listed on ASX must comply with.

Galaxy is an Australian listed company principally governed by Australian laws and regulations. Any material changes in Australian government policies or legislation may impact on activities and such matters as access to lands and infrastructure, compliance with environmental legislation, taxation and royalties may affect the viability and profitability of Galaxy's operations.

It could be difficult for investors to enforce any judgment obtained outside Australia against Galaxy or any of its associates.

Galaxy Shareholders that are not resident in Australia may be subject to Australian dividend withholding tax on dividends paid in relation to their Galaxy Shares.

Galaxy Shareholders that are not resident in Australia may nonetheless be subject to Australian dividend withholding tax on dividends paid in relation to their Galaxy Shares that, broadly, are paid out of profits on which Galaxy has not paid Australian corporate tax. The general rate of dividend withholding tax is 30% of the gross dividend. However, where the shareholder is resident in a country that has a double tax agreement with Australia, the double tax agreement may cap the rate of dividend withholding tax often to a rate of 15% of the gross dividend.

RISKS RELATING TO EXCHANGEABLE SHARES

Holders of the Exchangeable Shares will only be able to obtain Canadian tax deferral for as long as they hold the Exchangeable Shares, which holding period could be shorter than anticipated.

The Arrangement provides the opportunity for a tax deferral to certain Lithium One Shareholders who receive Exchangeable Shares pursuant to the Arrangement and file the appropriate election. However, (unless the relevant Canadian tax legislation is amended) such shareholders will generally only be able to obtain Canadian tax deferral for as long as they hold the Exchangeable Shares. In certain events, including the number of outstanding Exchangeable Shares (other than those held by Galaxy or its affiliates) or there is an acquisition of control of Galaxy (as defined in the Exchangeable Share provisions), and in any event on the Redemption Date, the Exchangeable Shares will be redeemed for Galaxy Shares. Moreover, if the Call Rights are not exercised on redemption of the Exchangeable Shares by Galaxy, a holder of Exchangeable Shares may realize a dividend for Canadian tax purposes that may exceed the holder's economic gain. See "Certain Canadian Federal Income Tax Considerations for Lithium One Shareholders and Lithium One Noteholders".

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The trading market for the Exchangeable Shares could be limited and the Exchangeable Shares may not have a market value identical or similar to the market value of Galaxy Shares.

Holders of Exchangeable Shares will have dividend, liquidation and voting rights that are economically equivalent to the rights of holders of Galaxy Shares. Although the economic value of the Exchangeable Shares is expected to be closely linked to the trading value of Galaxy Shares due to the right to exchange at any time Exchangeable Shares for Galaxy Shares, there can be no assurance that an active trading market in the Exchangeable Shares as these shares will not be listed.

Holders of Exchangeable Shares who later request to exchange such shares for Galaxy Shares will not receive Galaxy Shares for 10 to 15 business days after such request is received.

Lithium One Shareholders who receive Exchangeable Shares in the arrangement and later request to receive Galaxy Shares in exchange for their Exchangeable Shares will not receive Galaxy Shares for 10 to 15 business days after the applicable request is received. During this 10-to 15-business day period, the market price of Galaxy Shares may increase or decrease. Any such increase or decrease would affect the value of the consideration to be received by the holder of Exchangeable Shares on the effective date of the exchange.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the best of the knowledge of Galaxy's directors, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which Galaxy is directly or indirectly concerned which is likely to have a material adverse effect on the business or financial position of Galaxy.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of Galaxy's directors, executive officers or management, nor any associate of such director, executive officer or manager has any interest in any material transaction of Galaxy, save for noting that Mr. Craig Readhead, the Chairman of Galaxy, is a partner of the law firm Allion Legal which provides legal services to Galaxy at arm's length and on commercial terms and has provided legal services in connection with the Arrangement.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditors of Galaxy are KPMG Chartered Accountants, 235 St Georges Terrace Perth WA 6000. Galaxy's transfer agent and registrar for its ordinary shares is Computershare Investor Services Pty Ltd Level 2, 45 St Georges Terrace, Perth WA 6000.

MATERIAL CONTRACTS

Except as described in this Circular, Galaxy did not enter into any material contracts in the most recently completed financial year.

Experts

KPMG Chartered Accountants audited the financial statements of Galaxy for its financial year ended December 31, 2011.

As of the date of this Circular, the partners and associates of KPMG Chartered Accountants, the partners and associates of Blake, Cassels & Graydon LLP, the partners and associates of Snowden Mining Industry Consultants, the associates of Hellman & Schofield Pty Ltd and, the partners and associates of Fasken Martineau DuMoulin LLP, as a group, own, directly or indirectly, less than 1% of the issued and outstanding Galaxy Shares.

Information of a scientific or technical nature regarding the Mt. Cattlin Property is included in this Circular based on the Technical Report dated May 4, 2012. The Technical Report provides an independent technical review of the

exploration and development of the Mt. Cattlin Property. The Technical Report was prepared by Snowden Mining Industry Consultants. The authors of the Technical Report do not have an interest in the Mt. Cattlin Property or Galaxy.

None of the persons or companies named as having prepared or certified a report, valuation statement or opinion as an expert named in this document has any interest in Galaxy Shares.

Other Material Facts

Other material facts

There are no other material facts about the securities being distributed that have not been previously disclosed and are necessary in order for the prospectus to contain full, true and plain disclosure of all material facts relating to the securities to be distributed.

Canco Overview

Canco is a corporation incorporated under the QBCA on March 26, 2012 for the purpose of implementing the Arrangement. To date, Canco has not carried on any business except in connection with its role as a party to the Arrangement Agreement. Canco is a direct wholly-owned subsidiary of Galaxy. Canco's registered and principal office is located at 140 Grande Allée Est, Suite 800, Québec, Québec, G1R 5M8. The directors of Canco are Ignatius Kim Sang Tan, John Adam Sobelewski and Andrew Leslie Meloncelli.

Canco Share Capital

The authorized capital of Canco consists of an unlimited number of common shares. The share capital of Canco will be amended prior to the Effective Time to create the Exchangeable Shares. See "Description of Exchangeable Shares and Related Agreements – Description of Exchangeable Shares" for a summary of certain provisions of the Exchangeable Shares which will be created prior to the Effective Time.

As of the date hereof, there are one hundred common shares of Canco issued and outstanding, which is held by Galaxy. The holders of Canco's common shares are entitled to receive notice of and to attend all meetings of Canco's shareholders and to one vote in respect of each common share held at all such meetings. The holders of Canco's common shares will, subject to the rights of the holders of Exchangeable Shares, be entitled to receive dividends if, as and when declared by the board of directors of Canco out of the assets of Canco properly applicable to the payment of dividends in such amounts and payable in such manner as the board of directors of Canco may from time to time determine. In the event of the liquidation, dissolution or winding up of Canco or other distribution of assets of Canco among its shareholders for the purpose of winding up its affairs, the holders of Canco's common shares will, subject to the rights of the holders of Exchangeable Shares and any other class of shares of Canco entitled to receive assets of Canco upon such a distribution in priority to or concurrently with the holders of the common shares, be entitled to participate in the distribution. Such distribution will be made in equal amounts per share on all the common shares at the time outstanding without preference or distinction.

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Unaudited Pro Forma Consolidated Financial Statements of Galaxy

The following unaudited pro forma combined condensed financial statements as of December 31, 2011 and for the fiscal year ended December 31, 2011 are presented to show the results of operations and financial position of Galaxy as if the Arrangement with Lithium One had occurred as of January 1, 2011.

These unaudited pro forma combined condensed financial statements should be read in conjunction with the financial statements of Galaxy and accompanying notes that are included in this Circular and the financial statements of Lithium One incorporated by reference in this Circular. You should not rely on the unaudited pro forma combined condensed financial statements as an indication of the results of operations or financial position that would have been achieved if the Arrangement with Lithium One had taken place on the dates indicated or an indication of the results of operations in the future.

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Galaxy Resources Limited
Unaudited Pro Forma Combined Condensed Statement of Comprehensive Income
For the Year Ended December 31, 2011
In Australian dollars (unless otherwise stated)

	Galaxy: Year ended December 31, 2011 (A$)	Lithium One: Year ended December 31, 2011 (C$)	Lithium One: Year ended December 31, 2011 (A$)	Consolidation Adjustments (A$)	Notes	Consolidated: Year ended December 31, 2011 (A$)
Revenue	187,417	-	-	-		187,417
Gain on sale of property	-	100,000	97,980	-		97,980
Mine operating expenses	(27,531,697)	-	-	-		(27,531,697)
Share based payments	(8,940,786)	(624,099)	(611,492)	-		(9,552,278)
Administration expenses	(21,775,229)	(2,370,900)	(2,323,008)	-		(24,098,237)
Impairment of mining property, plant and equipment	(42,034,000)	-	-	-		(42,034,000)
Site rehabilitation	-	(2,411,971)	(2,363,249)	-		(2,363,249)
Depreciation and amortisation	(4,570,014)	(87,293)	(85,530)	-		(4,655,544)
Other operating expenses	(4,505,463)	-	-	(6,291)	4(d)	(4,511,754)
Loss from operations	**(109,169,772)**	**(5,394,263)**	**(5,285,299)**	**(6,291)**		**(114,461,362)**
Finance income	3,681,592	228,425	223,811	-		3,905,403
Finance costs	(27,168,203)	(704,255)	(690,029)	-		(27,858,232)
Net finance costs	**(23,486,611)**	**(475,830)**	**(466,218)**	**-**		**(23,952,829)**
Loss before taxation	**(132,656,383)**	**(5,870,093)**	**(5,751,517)**	**(6,291)**		**(138,414,191)**
Income tax benefit / (expense)	734,968	(6,820)	(6,682)	-		728,286
Loss for the year	**(131,921,415)**	**(5,876,913)**	**(5,758,199)**	**(6,291)**		**(137,685,905)**
Other comprehensive income for the year						
Foreign currency translation differences - foreign operations	1,584,449	(2,751,886)	(2,696,298)	-		(1,111,849)
Net change in available-for-sale financial assets	(150,000)	(50,708)	(49,684)	-		(199,684)
Income tax recovery	-	6,820	6,682	-		6,682
Other comprehensive income for the year	**1,434,449**	**(2,795,774)**	**(2,739,301)**	**-**		**(1,304,852)**
Total comprehensive income for the year	**(130,486,966)**	**(8,672,687)**	**(8,497,499)**	**(6,291)**		**(138,990,756)**
Loss per share						
Basic and diluted loss per share (cents per share)						0.33

The accompanying notes form an integral part of the Unaudited Pro Forma Combined Condensed Financial Statements.

Galaxy Resources Limited
Unaudited Pro Forma Combined Condensed Balance Sheet
As at December 31, 2011
In Australian dollars (unless otherwise stated)

	Galaxy: December 31, 2011 (A$)	Lithium One: December 31, 2011 (C$)	Lithium One: December 31, 2011 (A$)	Consolidation Adjustments (A$)	Notes	Consolidated: December 31, 2011 (A$)
NON-CURRENT ASSETS						
Property, plant and equipment	185,277,427	599,837	575,424	-		185,852,851
Lease prepayment	2,782,067	-	-	-		2,782,067
Exploration and evaluation assets	7,424,728	29,245,732	28,055,430	111,439,632	4(d)	146,919,790
Available-for-sale financial assets	205,000	30,126	28,900	-		233,900
Other receivables and prepayments	3,768,202	-	-	-		3,768,202
Restricted cash deposit	-	35,680	34,228	-		34,228
Intangible assets	-	6,558	6,291	(6,291)	4(d)	-
TOTAL NON-CURRENT ASSETS	**199,457,424**	**29,917,933**	**28,700,273**	**111,433,341**		**339,591,038**
CURRENT ASSETS						
Other receivables and prepayments	10,728,612	110,490	105,993	-		10,834,605
Inventories	13,518,420	-	-	-		13,518,420
Cash and cash equivalents	17,996,933	2,407,456	2,309,473	(4,000,000)	4(b)	16,306,406
TOTAL CURRENT ASSETS	**42,243,965**	**2,517,946**	**2,415,466**	**(4,000,000)**		**40,659,431**
TOTAL ASSETS	**241,701,389**	**32,435,879**	**31,115,739**	**107,433,341**		**380,250,469**
NON-CURRENT LIABILITIES						
Provisions	1,232,000	4,188,898	4,018,497	-		5,250,497
Convertible debentures	66,068,191	-	-	-		66,068,191
Interest bearing liabilities	29,784,469	-	-	-		29,784,469
TOTAL NON-CURRENT LIABILITIES	**97,084,660**	**4,188,989**	**4,018,497**	**-**		**101,103,157**
CURRENT LIABILITIES						
Trade and other payables	26,980,506	1,612,084	1,546,472	-		28,526,978
Provisions	406,183	-	-	-		406,183
Lithium One Convertible Debentures	-	4,508,334	4,324,846	(4,324,846)	4(e)	-
Galaxy Convertible Debentures	-	-	-	5,646,242	4(e)	5,646,242
Accrued interest on convertible debentures	-	67,330	64,590	-		64,590
Interest bearing liabilities	3,714,935	-	-	-		3,714,935
TOTAL CURRENT LIABILITIES	**31,101,624**	**6,187,748**	**5,935,907**	**1,321,396**		**38,358,928**
TOTAL LIABILITIES	**128,186,284**	**10,376,737**	**9,954,404**	**1,321,396**		**139,462,085**
NET ASSETS	**113,515,105**	**22,059,142**	**21,161,334**	**106,111,945**		**240,788,384**

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Galaxy Resources Limited
Unaudited Pro Forma Combined Condensed Balance Sheet (Continued)
As at December 31, 2011
In Australian dollars (unless otherwise stated)

	Galaxy: December 31, 2011 (A$)	Lithium One: December 31, 2011 (C$)	Lithium One: December 31, 2011 (A$)	Consolidation Adjustments (A$)	Notes	Consolidated: December 31, 2011 (A$)
CAPITAL AND RESERVES						
Share capital	271,457,219	32,447,340	31,126,733	(31,126,733)	4(c)	360,481,979
				89,024,760	4(a)	-
Reserves	20,713,250	159,780	153,277	(153,277)	4(c)	20,713,250
Equity portion of Lithium One convertible debentures	-	447.372	429,164	(429,164)	4(e)	-
Contributed surplus	-	23,798,626	22,830,022	(22,830,022)	4(c)	-
Accumulated Losses	(178,655,364)	(47,663,129)	(45,723,240)	45,723,240	4(c)	(178,655,364)
Lithium One non-controlling interest	-	12,869,153	12,345,378	(12,345,378)	4(c)	-
Galaxy non-controlling interest	-	-	-	38,248,519	4(f)	38,248,519
TOTAL EQUITY	**113,515,105**	**22,059,142**	**21,161,334**	**106,111,945**		**240,788,384**

The accompanying notes form an integral part of the Unaudited Pro Forma Combined Condensed Financial Statements.

Approved on behalf of the board:

Managing Director
"Iggy Tan"



Chief Financial Officer
"John Sobolewski"



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Galaxy Resources Limited
Notes to the Unaudited Pro Forma Combined Condensed Financial Statements

1. Description of Transaction

These unaudited pro forma consolidated financial statements of Galaxy Resources Limited ("Galaxy" or the "Company") have been prepared for inclusion in the Information Circular of Lithium One Inc. ("Lithium One"). On March 30, 2012 the Company announced it had entered into an arrangement agreement to effect a merger of Galaxy and Lithium One via a plan of arrangement (the "Arrangement"). Under the Arrangement, Galaxy will acquire all outstanding shares, options, warrants and convertible debentures in Lithium One.

Completion of the Arrangement is subject to, among other conditions, approval of the shareholders of Galaxy and Lithium One, court approval of the Arrangement, and regulatory approval.

2. Basis of Preparation

These unaudited pro forma consolidated financial statements have been prepared using accounting policies consistent with those described in Galaxy's annual audited financial statements. The unaudited pro forma consolidated financial statements should be read in conjunction with the audited financial statements of Galaxy and Lithium One as at December 31, 2011. In preparing the unaudited pro forma consolidated financial statements a review was undertaken to identify any material accounting policy differences between Galaxy and Lithium One – none were identified. In the opinion of management, these unaudited pro forma financial statements include all of the adjustments necessary for fair presentation of unaudited pro forma consolidated financial statements.

The unaudited pro forma consolidated financial statements have been presented in Australian dollars, the functional currency of Galaxy. Canadian dollar balance sheet amounts of Lithium One have been translated to Australian dollars based on the December 31, 2011 closing rate of 0.9593, and income statement items have been translated to Australian dollars based on the 2011 average exchange rate of 0.9798.

The unaudited pro forma consolidated financial statements include the unaudited pro forma consolidated balance sheet as at December 31, 2011 and the unaudited pro forma consolidated statement of comprehensive income for the year ended December 31, 2011, prepared from the audited financial statements of Galaxy and Lithium One as at December 31, 2011, and reflect completion of the Arrangement.

These unaudited pro forma consolidated financial statements are not intended to reflect the financial position and results of operations that would have occurred if the events therein had been in effect at the dates indicated. Further, these unaudited pro forma consolidated financial statements are not necessarily indicative of the financial position and results of operations that may be obtained in the future.

3. Purchase Consideration Allocation

The transaction is not a business combination as Lithium One's acquired assets do not meet the definition of a business as defined in the International Financial Reporting Standard 3 Business Combinations. The substance and intent of the Arrangement is for Galaxy to acquire the exploration and evaluation assets of Lithium One for the purpose of expanding Galaxy's overall resource base. The acquisition of the net assets of Lithium One, excluding the cash and the available for sale financial asset, meets the definition of, and has been accounted for as, a share-based payment transaction. The allocation of purchase consideration to the fair value of assets and liabilities acquired has been assumed as follows:

	A$
Cash and cash equivalents	2,309,473
Other receivables and prepayments	105,993
Property, plant and equipment	575,424
Exploration and evaluation assets	139,495,062
Available for sale financial assets	28,900
Restricted cash deposit	34,228
Trade and other payables	(1,546,472)
Convertible debentures	(5,646,242)
Accrued interest on convertible debentures	(64,590)
Provisions	(4,018,497)
Value of net assets	**131,273,279**
Non-controlling interest	38,248,519
Value of net assets acquired	**93,024,760**
Share consideration	89,024,760
Directly attributable costs (i)	4,000,000
Total purchase consideration	**93,024,760**

(i) Estimated acquisition related costs of A$4,000,000 relate to external advisory and legal fees which are included in the purchase consideration.

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4. Pro-forma Assumptions and Adjustments

a. To transact the effect of the acquisition as if it happened on 1 January 2011, an issue of 141,309,143 Galaxy shares is represented in the unaudited pro forma balance sheet as at December 31, 2011. Given that the transaction is subject to approval by shareholders and regulatory agencies, for Galaxy's accounting purposes, the value of the shares will be determined at the closing date. For the purpose of these unaudited pro forma consolidated statements, management has assumed a share price of A$0.63 being the Galaxy closing price as quoted on the Australian Stock Exchange on May 10th 2012:

141,309,143 common shares of Galaxy @ A$0.63: A$89,024,760

This figure represents both shares and exchangeable shares (and corresponding number of special voting shares) to be issued as merger consideration for the Lithium One shares, in the money Lithium One options (any Lithium One options with an exercise price greater than C$1.55 will be automatically cancelled) and Lithium One warrants:

Galaxy shares issued for Lithium One shares	137,904,116
Galaxy shares issued for Lithium One options and warrants	3,405,027
	141,309,143

b. Estimated transaction costs of A$4,000,000 will be incurred by Galaxy.

c. Elimination of Lithium One's shareholders equity accounts.

d. Fair value adjustment in Lithium One. The unaudited pro forma adjustments and allocations of the purchase price for Lithium One are based on estimates of the fair value of the assets acquired and liabilities assumed. The fair value of the intangible asset held by Lithium One has been estimated at nil by Galaxy. The remaining consideration was allocated to Lithium One's exploration and evaluation assets.

e. Effect of current Lithium One convertible debentures exchanged for Galaxy Notes. Galaxy Notes are to contain substantially equivalent terms to existing Lithium One convertible debentures. Galaxy Notes are presented as a financial liability at their estimated fair value.

The key terms of the notes are as follows:

Terms	**Lithium One Notes**	**Galaxy Notes**
Principal:	C$5,000,000	C$5,000,000
Conversion price:	C$1.20	C$0.612
Maturity date:	29-Oct-12	29-Oct-12
Interest rate:	8% p.a. payable quarterly	8% p.a. payable quarterly
Conversion option:	Each note allows the note holders to convert it into one unit which comprises one Lithium One share and half a Lithium One warrant. Each whole warrant allows the warrant holder to buy one Lithium One share at a conversion price of C$1.50 on or before 29 October 2012.	Each note allows the note holders to convert it into one unit which comprises one Galaxy share and half a Galaxy option. Each whole option allows the option holder to buy one Galaxy share at a conversion price of C$0.77 on or before 29 October 2012.

f. To reflect the estimated fair value of the non-controlling interest in the Sal da Vida Project.

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5. Pro Forma Share Capital

The unaudited pro forma share capital as at December 31, 2011 has been determined as follows:

	Number of Shares	Amount A$
Number of Galaxy common shares issued and outstanding	323,327,000	271,457,219
Number of Galaxy common shares issued in consideration (Note 4(a))	141,309,143	89,024,760
Unaudited pro forma balance as at December 31, 2011	464,636,143	360,481,979

6. Pro Forma Loss per Share

The unaudited pro forma basic loss per share for the year ended December 31, 2011 has been calculated using the actual weighted average number of Galaxy common shares outstanding for the year ended December 31, 2011 and the assumed number of Galaxy common shares issued to Lithium One share holders being effective on January 1, 2011.

	Year ended December 31, 2011
Weighted average number of Galaxy common shares outstanding	279,993,056
Assumed number of common shares issued in exchange for Lithium One shares	141,309,143
Weighted average shares outstanding	421,302,199
Net aggregated loss for the year	(137,685,905)
Net loss per share	
Basic and diluted	(0.33)

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Galaxy Resources Limited and all the information contained in the financial statements are the responsibility of management and have been approved by the Board of Directors. The financial statements and all other information have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Some amounts included in the financial statements are based on management's best estimates and have been derived with careful judgment. In fulfilling its responsibilities, management has developed and maintains a system of internal controls. These controls ensure that transactions are authorized, assets are safeguarded from loss or unauthorized use, and financial records are reliable for the purpose of preparing financial statements. The Board of Directors carries out its responsibilities for the financial statements through the Audit Committee. The Audit Committee periodically reviews and discusses financial reporting matters with the Company's auditors, KPMG, as well as with management. The financial statements have been audited by KPMG, Chartered Accountants, on behalf of the shareholders.



I KS Tan
Managing Director



John Sobolewski
Chief Financial Officer

May 11, 2012

FINANCIAL STATEMENTS
Consolidated Statement of Comprehensive Income
In Australian dollars

	Note	Year ended December 31, 2011	Year ended December 31, 2010	Six months ended December 31, 2009	Year ended June 30, 2009
		$	$		
Revenue	4	187,417	-	-	-
Other Income	6(a)	-	-	1,081,356	-
Mine operating expenses		(27,531,697)	-	-	-
Staff costs	6(b)	(7,016,545)	(5,101,723)	(1,107,174)	(1,070,113)
Share based payments	6(b), 23	(8,940,786)	(11,219,220)	(8,934,132)	(1,035,503)
Exploration and evaluation assets written-off		-	-	-	(1,520,875)
Administration and accounting fees		(1,056,277)	(463,272)	(63,971)	(209,186)
Impairment of mining property, plant and equipment	13	(42,034,000)	-	-	-
Consulting fees		(4,112,874)	(2,848,697)	(2,034,026)	(170,122)
Consultants – Hong Kong Listing Application		(6,060,564)	(3,022,314)	-	-
Depreciation and amortisation		(4,570,014)	(169,925)	(21,162)	(15,724)
Legal fees		(1,199,854)	(788,809)	(174,187)	(99,772)
Public relations and communications		(1,108,363)	(661,076)	(237,387)	(132,594)
Travel expenses		(1,220,752)	(1,216,502)	(418,040)	(134,637)
Other operating expenses		(4,505,463)	(3,584,335)	(642,096)	(38,913)
Loss from operations		**(109,169,772)**	**(29,075,873)**	**(12,550,819)**	**(4,427,439)**
Finance income		3,681,592	4,841,880	483,894	78,278
Finance costs		(27,168,203)	(5,349,337)	(255,067)	(1,732)
Net finance costs	5	**(23,486,611)**	**(507,457)**	**228,827**	**76,546**
Loss before taxation		**(132,656,383)**	**(29,583,330)**	**(12,321,992)**	**(4,350,893)**
Income tax	8(a)	734,968	-	-	592,343
Loss for the year		**(131,921,415)**	**(29,583,330)**	**(12,321,992)**	**(3,758,550)**
Other comprehensive income for the year					
Foreign currency translation differences - foreign operations		1,584,449	(3,602,788)	-	-
Net change in available-for-sale financial assets		(150,000)	150,000	-	-
Other comprehensive income for the year		1,434,449	(3,452,788)	-	-
Total comprehensive income for the year		**(130,486,966)**	**(33,036,118)**	**(12,321,992)**	**(3,758,550)**
Loss per share					
Basic and diluted loss per share (cents per share)	11	(47.12)	(16.62)	(11.91)	(6.40)

The accompanying notes form part of the Financial Statements.

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Consolidated Balance Sheet
In Australian dollars

	Note	December 31, 2011	December 31, 2010
		$	$
NON-CURRENT ASSETS			
Property, plant and equipment	13	185,277,427	145,397,992
Lease prepayment	14	2,782,067	2,836,259
Exploration and evaluation assets	15	7,424,728	2,242,852
Available-for-sale financial assets	16	205,000	600,000
Other receivables and prepayments	17	3,768,202	952,654
Restricted cash deposit	18	-	42,834,671
TOTAL NON-CURRENT ASSETS		**199,457,424**	**194,864,428**
CURRENT ASSETS			
Other receivables and prepayments	17	10,728,612	5,936,284
Inventories	24	13,518,420	2,001,922
Restricted cash deposit	18	-	5,220,082
Cash and cash equivalents	19	17,996,933	27,509,567
TOTAL CURRENT ASSETS		**42,243,965**	**40,667,855**
TOTAL ASSETS		**241,701,389**	**235,532,283**
NON-CURRENT LIABILITIES			
Provisions	21	1,232,000	913,000
Interest bearing liabilities	22	95,852,660	123,078,868
TOTAL NON-CURRENT LIABILITIES		**97,084,660**	**123,991,868**
CURRENT LIABILITIES			
Trade and other payables	20	26,980,506	12,123,127
Provisions	21	406,183	346,145
Interest bearing liabilities	22	3,714,935	7,636,968
TOTAL CURRENT LIABILITIES		**31,101,624**	**20,106,240**
TOTAL LIABILITIES		**128,186,284**	**144,098,108**
NET ASSETS		**113,515,105**	**91,434,175**
CAPITAL AND RESERVES			
Share capital	25	271,457,219	128,419,427
Reserves	25	20,713,250	10,440,833
Accumulated Losses		(178,655,364)	(47,426,085)
TOTAL EQUITY		**113,515,105**	**91,434,175**

The accompanying notes form part of the Financial Statements.

Approved on behalf of the board:

Managing Director
"Iggy Tan"



Chief Financial Officer
"John Sobolewski"



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Consolidated Statement of Changes in Equity

In Australian dollars

	Note	Share capital $	Equity-settled payments reserve $	Foreign currency translation reserve $	Fair value reserve $	Accumulated losses $	Total equity $
Balance at June 30, 2008 and July 1, 2008.		**8,218,905**	**349,458**	**-**	**-**	**(1,762,213)**	**6,806,150**
Loss for the year		-	-	-	-	(3,758,550)	(3,758,550)
Other comprehensive income for the period		-	-	-	-	-	-
Total comprehensive loss		-	-	-	-	(3,758,550)	(3,758,550)
Issue of shares, net of transaction costs	25(b)	6,617,169	-	-	-	-	6,617,169
Exercise of share options	25(b)	725,475	-	-	-	-	725,475
Transfer of reserve upon exercise of share options	25(b)	76,365	(76,365)	-	-	-	-
Share-based payment transactions	25(b)	-	1,035,503	-	-	-	1,035,503
Balance at June 30, 2009 and July 1, 2009		**15,637,914**	**1,308,596**	**-**	**-**	**(5,520,763)**	**11,425,747**
Loss for the year		-	-	-	-	(12,321,992)	(12,321,992)
Other comprehensive income for the period		-	-	-	-	-	-
Total comprehensive loss		-	-	-	-	(12,321,992)	(12,321,992)
Issue of shares, net of transaction costs	25(b)	69,958,698	-	-	-	-	69,958,698
Exercise of share options	25(b)	2,425,151	-	-	-	-	2,425,151
Transfer of reserve upon exercise of share options	25(b)	812,609	(812,609)	-	-	-	-
Share-based payment transactions	25(b)	-	8,934,132	-	-	-	8,934,132
Balance at December 31, 2009 and January 1, 2010		**88,834,372**	**9,430,119**	**-**	**-**	**(17,842,755)**	**80,421,736**
Loss for the year		-	-	-	-	(29,583,330)	(29,583,330)
Other comprehensive income for the period		-	-	(3,602,788)	150,000	-	(3,452,788)
Total comprehensive loss		-	-	(3,602,788)	150,000	(29,583,330)	(33,036,118)
Issue of shares, net of transaction costs	25(b)	25,593,712	-	-	-	-	25,593,712
Exercise of share options	25(b)	7,235,625	-	-	-	-	7,235,625
Transfer of reserve upon exercise of share options	25(b)	6,755,718	(6,755,718)	-	-	-	-
Share-based payment transactions	25(b)	-	11,219,220	-	-	-	11,219,220
Balance at December 31, 2010 and January 1, 2011		**128,419,427**	**13,893,621**	**(3,602,788)**	**150,000**	**(47,426,085)**	**91,434,175**

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Consolidated Statement of Changes in Equity (Continued)
In Australian dollars

	Note	Share capital $	Equity-settled payments reserve $	Foreign currency translation reserve $	Fair value reserve $	Accumulated losses $	Total equity $
Balance at December 31, 2010 and January 1, 2011		**128,419,427**	**13,893,621**	**(3,602,788)**	**150,000**	**(47,426,085)**	**91,434,175**
Loss for the year		-	-	-	-	(131,921,415)	(131,921,415)
Other comprehensive income for the period		-	-	2,192,696	(150,000)	-	2,042,696
Total comprehensive income		-	-	2,192,696	(150,000)	(131,921,415)	(129,878,719)
Issue of shares, net of transaction costs	25(b)	142,868,863	-	-	-	-	142,868,863
Exercise of share options	25(b)	150,000	-	-	-	-	150,000
Transfer of reserve upon exercise of share options	25(b)	18,929	(18,929)	-	-	-	-
Transfer of reserve upon forfeit of options		-	(692,136)	-	-	692,136	-
Share-based payment transactions		-	8,940,786	-	-	-	8,940,786
Balance at December 31, 2011		**271,457,219**	**22,123,342**	**(1,410,092)**	**-**	**(178,655,364)**	**113,515,105**

The accompanying notes form part of the Financial Statements.

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Consolidated Cash Flow Statement

In Australian dollars

	Note	Year ended December 31, 2011	Year ended December 31, 2010	Six months ended December 31, 2009	Year ended June 30, 2009
Operating activities					
Receipts from customers		187,418	-	-	592,343
Receipts from Australian taxation		734,968	-	-	-
Payments to suppliers and contractors		(58,255,866)	(16,674,002)	(4,527,591)	(1,734,024)
Net cash used in operating activities		**(57,333,480)**	**(16,674,002)**	**(4,527,591)**	**(1,141,681)**
Investing activities					
Interest received		2,077,646	1,418,178	258,361	70,033
Acquisition of property, plant and equipment		(84,826,130)	(125,872,654)	(7,249,071)	(199,273)
Proceeds from sale of tenements		-	-	175,000	-
Payments for exploration and evaluation assets		(5,326,575)	(2,840,975)	(2,089,689)	(4,879,158)
Prepayment for technology licence		(2,326,993)	-	-	-
Outflow for security deposits/ performance bonds		(395,115)	(164,654)	(868,700)	(77,380)
Net cash used in investing activities		**(90,797,167)**	**(127,460,105)**	**(9,774,099)**	**(5,085,778)**
Financing activities					
Proceeds from issue of shares		150,150,000	34,514,625	76,596,713	7,792,982
Transaction costs from issue of shares		(7,131,137)	(1,685,288)	(4,681,302)	(450,338)
Advance receipt of issue of shares		-	-	-	188,438
Bank charges and interest paid		(7,543,815)	(2,198,732)	(631)	(1,732)
Proceeds from borrowings		62,094,479	158,380,353	21,810,251	-
Repayments of borrowings		(106,589,433)	(44,081,022)	-	-
Proceeds from loan from a director		-	-	70,000	210,000
Deposit/(receipt) restricted for loan repayment		45,825,642	(51,563,466)	-	-
Net cash generated from financing activities		**136,805,736**	**93,366,470**	**93,795,031**	**7,739,350**
Net increase/(decrease) in cash and cash equivalents		**(11,324,911)**	**(50,767,637)**	**79,493,341**	**1,511,891**
Cash and cash equivalents at the beginning of the year		27,509,567	83,441,378	3,441,613	1,929,722
Effect of foreign exchange rate changes		1,812,277	(5,164,174)	506,424	-
Cash and cash equivalents at the end of the year	**18**	**17,996,933**	**27,509,567**	**83,441,378**	**3,441,613**

The accompanying notes form part of the Financial Statements.

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NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Australian dollars unless otherwise indicated)

1. REPORTING ENTITY

Galaxy Resources Limited (the "Company") is a company domiciled in Australia. The Company was incorporated on January 15, 1996 and registered in Western Australia under the name Galaxy Resources NL, a "no liability" company under the Corporations Act 2001 of the Commonwealth of Australia. The Company changed its company type to a public company under the name Galaxy Resources Limited on September 28, 2001. The Company's shares have been listed on the Australian Securities Exchange (the "ASX") since February 6, 2007.

The address of the Company's registered office is at level 2, 16 Ord Street, West Perth, Australia.

The Financial Statements of the Company comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

2. BASIS OF PREPARATION

a. Statement of compliance

The Financial Statements have been prepared in accordance with International Accounting Standards (IASs) and complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing the Financial Statements, the Group has adopted all of these new and revised IFRSs applicable, except for any new standards or interpretations that are not yet effective for the accounting period beginning January 1, 2011. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning January 1, 2011 are set out in note 3(s).

The accounting policies set out below have been applied consistently to all periods presented in the Financial Statements.

b. Basis of measurement

The Financial Statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Derivative financial instruments are measured at fair value.
- Available-for-sale financial assets are measured at fair value.
- Liabilities for cash-settled share-based payment arrangements are measured at fair value.
- Convertible bonds issued are designated at fair value through profit or loss.

c. Functional and presentation currency

This Financial Statements are presented in Australian dollars, which is the Company's functional currency.

d. Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the Financial Statements are described in note 31.

e. Financial Position

The principal activities of the Group are the development of the Mt Cattlin spodumene mine, development of the Jiangsu lithium carbonate plant, and exploration for minerals. The plan of the Group is to mine and process the hard rock lithium minerals at Mt Cattlin situated in Western Australia which is further processed into spodumene concentrate. The spodumene concentrate is then delivered to Jiangsu plant situated in the People Republic of China (the "PRC") for conversion into lithium compounds and chemicals, including lithium carbonate.

Currently, the Group is in the process of mining and processing hard rock lithium minerals at Mt Cattlin and has constructed the Jiangsu plant (the "Project"). In order to finalise the commissioning and ramp up of the Project over the coming twelve months, the Project activities have been funded through equity contributions together with loans from China Construction Bank (CCB) and Convertible Bonds.

In February 2011 the Group finalised a $61.5 million raising with the issuance of 615 convertible bonds at a face value of $100,000 per bond (refer to note 22).

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In addition, in February 2011, the Group issued 21.5 million shares at $1.39 to raise $30 million and in April and May 2011, the Group completed a $120 million equity placement to sophisticated and institutional investors, issuing 109 million shares at $1.10 each. Funds raised were used to repay the Syndicated Facility together with funding capital costs and working capital needs for the Group.

The repayment of the Syndicated Facility was part of a strategy to swap to more preferred debt structures to be provided by China Construction Bank Limited (CCB).

During June 2011 the Group entered into unsecured finance facility agreements with China Construction Bank Limited (CCB) for facilities totalling $58.0 million. These have been drawn to December 31, 2011 to the extent of $33.5 million.

At December 31, 2011 the Group had available cash of $18 million and undrawn facilities in China of $24.5 million. At February 29, 2012 cash had reduced to approximately $9 million. In March 2012, the Group has entered into a further unsecured funding facility with Shanghai Pudong Development Bank Co., Ltd (SPD) for RMB 84 million, approximately $13 million is repayable in 3 years from the date of the drawdown. In April 2012, the Group has entered into a further unsecured funding facility with Industrial and Commercial Bank of China for RMB 182 million, approximately A$28 million and is repayable in 5 years from the date of drawdown.

On April 23 and 24, 2012 the Company issued of 37,531,793 million new, fully paid shares at a price of A$0.77 per share for a total of A$28.9 million. $1.1 million of the raising is subject to shareholder approval which will be sought at the AGM on May 23, 2012 ($0.5 million to Chairman Craig Readhead). Approval will also be sought at an EGM in early June 2012 ($0.6 million to Azure Capital Limited and Paradigm Capital Inc. for providing corporate advisory services to Galaxy in connection with the proposed merger).

On May 1, 2012 the Company issued 2.92 million shares at A$0.77 per share for a total of $2.25m (before costs) via a Share Purchase Plan.

Based on present forecasts the Directors consider that the Group has sufficient funding to complete the commissioning and ramp up of the Jiangsu Lithium Carbonate plant.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, and have been applied consistently by Group entities.

a. Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the financial statements of the Group from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Financial Statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b. Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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The Group has the following non-derivative financial assets: cash and cash equivalents, available-for-sale financial assets and loans and receivables.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables. Collectability of receivables is reviewed on an ongoing basis.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Available–for-sale financial assets
The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss.

(ii) Non-derivative financial liabilities
The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classified non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method, except for Convertible Bonds (refer to accounting policy note 3(h)).

Other financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

c. Exploration and evaluation assets
Exploration for and evaluation of mineral resources is the search for mineral resources after the Group has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resources. Accordingly, exploration and evaluation assets are those expenditures incurred by the Group in connection with the exploration for and evaluation of minerals resources before the technical feasibility and commercial viability of extracting a mineral resources are demonstrable.

Accounting for exploration and evaluation assets is assessed separately for each 'area of interest'. An 'area of interest' is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit.

Expenditure incurred on activities that precede exploration and evaluation of mineral resources, including all expenditure incurred prior to securing legal rights to explore an area, is expensed as incurred. For each area of interest the expenditure is recognised as an exploration and evaluation asset where the following conditions are satisfied:

a) The rights to tenure of the area of interest are current; and

b) At least one of the following conditions is also met:

   i) The expenditure is expected to be recouped through successful development and commercial exploitation of an area of interest, or alternatively by its sale; or

   ii) Exploration and evaluation activities in the area of interest have not, at reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of 'economically recoverable reserves' and active and significant operations in, or in relation to, the area of interest are continuing. Economically recoverable reserves are the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable conditions.

Intangible exploration and evaluation assets include:
- Acquisition of rights to explore;
- Topographical, geological, geochemical and geophysical studies;

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- Exploratory drilling, trenching, and sampling; and
- Activities in relation to evaluating the technical feasibility and commercial viability of extracting the mineral resource.
- General and administrative costs allocated to, and included in, the cost of exploration and evaluation assets only to the extent that those costs can be related directly to the operational activities in the area of interest to which the exploration and evaluation assets relate. In all other instances, these costs are expensed as incurred.

Tangible exploration and evaluation assets include:

- Piping and pumps;
- Tanks;
- Exploration vehicles and drilling equipment;
- Drilling rights;
- Acquired rights to explore;
- Exploratory drilling costs; and
- Trenching and sampling costs.

Exploration and evaluation assets are transferred to development expenditure, which is disclosed as a component of property, plant and equipment, once technical feasibility and commercial viability of an area of interest is demonstrable. Exploration and evaluation assets are assessed for impairment at that stage, and any impairment loss is recognised, prior to being reclassified.

The carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sales of the respective area of interest.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Impairment testing of exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

- The term of exploration licence in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area are not budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specified area; or
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full from successful development or by sale.

Where a potential impairment is indicated, an assessment is performed for each cash generating unit ("CGU") which is no larger than the area of interest. The Group performs impairment testing in accordance with its accounting policy (see note 3(e)).

d. Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and borrowings costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in the profit or loss.

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.

Assets under construction

Assets under construction represent property, plant and equipment under construction and are stated at cost less impairment losses. Cost comprises direct costs of construction. Depreciation of these costs commences when substantially all of the activities necessary to prepare the assets for their intended use are complete.

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Development expenditure
Development expenditure relates to costs incurred to access a mineral resource. It represents those costs incurred after the technical feasibility and commercial viability of extracting the mineral resource has been demonstrated and an identified mineral reserve is being prepared for production (but is not yet in production).

Significant factors considered in determining the technical feasibility and commercial viability of the project are the completion of a feasibility study, the existence of sufficient proven and probable reserves to proceed with development and approval by the board of directors to proceed with development of the project.

Development expenditure is capitalised as either a tangible or intangible asset depending on the nature of the costs incurred.

Development expenditure includes the following:
- Reclassified exploration and evaluation assets
- Direct costs of construction
- Pre-production stripping costs
- An appropriate allocation of overheads and borrowing costs incurred during the development phase.

Capitalisation of development expenditure ceases once the mining property is capable of commercial production, at which point it is depreciated in accordance with accounting policy set out below in this note. Any development expenditure incurred once a mine property is in production is immediately expensed to profit or loss except where it is probable that future economic benefits will flow to the entity, in which case it is capitalised as property, plant and equipment.

Depreciation
Depreciation is recognised in profit or loss over the estimated useful life of each part or item of property, plant and equipment. Development expenditure is depreciated or amortised over the lower of their estimated useful lives and the remaining life of mine. The estimated life of mine is based upon geological resources and is reviewed on an annual basis.

• Freehold land	Not depreciated
• Plant and equipment	3 – 16 years
• Development expenditure	Units of production basis over the total estimated proven and probable reserves related to the area of interest

No depreciation is made on assets under construction until such time when the assets are substantially completed and ready for use.

De-recognition
Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period the item is derecognised.

e. Impairment of assets
During the period the Company recognised an impairment charge relating to capitalised pre-commencement costs and development expenditure at the Company's Mt Cattlin Lithium Project. The assessment involved the use of significant estimates and judgements as set out in note 13.

Loans and receivables
The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. a repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets
Available for sale financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence of impairment for an investment in an equity security includes a significant or prolonged decline in its fair value below its cost.

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Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets
The carrying amounts of the Group's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of assets in the CGU on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

f. Inventories
Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

g. Receivables
Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

h. Convertible bonds
The Convertible bonds are designated as a financial liability at fair value through profit or loss.

On issuance the Convertible Bonds were recognised at their fair value and all directly related transactions costs were expensed in the profit or loss. Subsequent to initial recognition the Convertible Bonds are fair valued using a generally accepted valuation technique with any change in fair value recognised in profit or loss for the period.

On conversion, the carrying amount of the Convertible Bonds will be reclassified to share capital. If the Convertible Bonds are redeemed, any difference between the amount paid and the fair value at time of redemption is recognised in profit or loss.

i. Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

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j. Other payables

Trade and other payables are initially recognised at fair value. Other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

k. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Site restoration

In accordance with the group's published environmental policy and applicable legal requirements, a provision for site restoration is recognised in respect of the estimated cost of rehabilitation, decommissioning and restoration of the area disturbed during mining activities up to reporting date, but not yet rehabilitated. Such activities include dismantling infrastructure, removal and treatment of waste material, and land rehabilitation, including recontouring, topsoiling and revegetation of the disturbed area.

The amount recognised as a liability represents the estimated future costs discounted to present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost in the profit or loss.

The site restoration provision is separated into current (estimated costs arising within twelve months from balance date) and non-current components based on expected timing of cash flows.

A corresponding asset is recognised in Property, Plant and Equipment only to the extent that it is probable that future economic benefits associated with rehabilitation, decommissioning and restoration expenditure will flow to the entity. The asset is depreciated using the unit of production basis over the total estimated proven and probable reserves related to the area of interest.

Costs arising from unforeseen circumstances, such as contamination from discharge of a toxic material, are recognised as a provision with a corresponding expense recognised in the profit or loss when an obligation, which is probable and capable of reliable estimation, arises.

At each reporting date the site restoration provision is re-measured to reflect any changes in discount rates and timing or amounts of the costs to be incurred. Such changes in the estimated liability are accounted for prospectively from the date of the change and are added to, or deducted from, the related asset where it is probable that future economic benefits will flow to the entity.

l. Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Group under leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total expense, over the term of the lease.

The cost of acquiring land held under an operating lease is classified as a lease prepayment and amortised on a straight-line basis over the period of the lease term, which is 50 years.

m. Finance income and finance costs

Finance income represents interest income on funds invested (including available-for-sale financial assets). Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and bank charges.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

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n. Foreign currency

The Financial Statements are presented in Australian dollars, which is the functional currency of the Company and its Australian subsidiary. The functional currencies of the Company's Hong Kong subsidiary and the PRC subsidiary are Hong Kong dollars ("HKD") and Renminbi ("RMB") respectively.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency of the entity at the foreign exchange rate ruling at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency of the entity at foreign exchange rates ruling at the dates the fair value was determined.

Foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

o. Employee benefits

Defined contribution retirement plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution retirement plans are recognised as staff costs in profit or loss as incurred.

Short term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employee's services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care and motor vehicles, are expensed as the benefits are taken by the employees.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Share based payment transactions

The grant-date fair value of share-based payment awards granted to employees (including directors) is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The fair value of employee share options is measured using a Black & Scholes option valuation model ("Black & Scholes") or Monte-Carlo valuation model ("Monte-Carlo").

Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

p. Taxes

Income tax

Income tax expense comprises current and deferred taxes. Income tax is recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income, in which case the relevant amounts of tax are recognised in equity or in other comprehensive income, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years as applicable to the jurisdictions concerned.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets also arise from unused tax losses.

The following are temporary differences, of which deferred taxes are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses, that is those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of the GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the cash flow statements on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Tax consolidation

The Company and the Australian subsidiary, Galaxy Lithium Australia Limited, formed a tax consolidated group on July 1, 2008 under Australian taxation laws, whereby all entities within the tax consolidated group are taxed as a single entity. The head entity of the tax consolidated group is Galaxy Resources Limited.

q. Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Managing Director to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

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r. Share capital

Ordinary shares are classified as share capital. Costs directly attributable to the issue of new shares or options are shown in share capital as a deduction from the proceeds, net of any tax effects.

A contract that will be settled by the entity delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or another financial asset is an equity instrument. Any consideration received from such equity instrument is credited to share capital. Changes in fair value of such equity instrument subsequently are not recognised in the Financial Statements.

s. Loss per share

Basic and diluted loss per share is determined by dividing the loss after income tax attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

t. Related parties

For the purpose of the Financial Statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
(ii) the Group and the party are subject to common control;
(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such individual, or is an entity under the control, joint control or significant influence of such individuals;
(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

u. New accounting standards and interpretations

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at December 31, 2011, but have not been applied in preparing this financial report.

i) AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the project to replace AASB 139 Financial Instruments: Recognition and Management. AASB 9 will become mandatory for the Group's December 31, 2013 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended December 31, 2012. The Group has not yet determined the potential effect of the standard.

ii) Amended AASB 119 Employee Benefits, which becomes mandatory for the Group's December 31, 2013 financial statements and could change the definition of short-term and other long-term employee benefits and some disclosure requirements. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

iii) AASB 13 'Financial Instruments' (2010) and related amendments will have a significant impact on the classification and measurement of financial assets and financial liabilities. The new standard and amendments become effective for the consolidated entity's December 31, 2013 financial statements. The consolidated entity has not yet determined the potential impact of the new requirements on the consolidated entity's financial statements.

iv) AASB 10 'Consolidated Financial Statements' requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in AASB 127 'Consolidated and Separate Financial Statements' and INT-112 'Consolidation - Special Purpose Entities'. The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of the Financial Statements. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities'). This standard will become mandatory for the Group's December 31, 2013 financial statements. The Group has not determined the potential effect of the standard.

v) AASB 11 'Joint Arrangements' replaces AASB 131 'Interests in Joint Ventures'. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. Joint arrangements are either joint operations or joint ventures. This standard will become mandatory for the Group's December 31, 2013 financial statements. The Group has not determined the potential effect of the standard.

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4. REVENUE

	Year ended December 31, 2011	Year ended December 31, 2010	Six months ended December 31, 2009	Year ended June 30, 2009
	$	$	$	$
Revenue	187,417	-	-	-

Revenue earned in the year ended December 31, 2011 consists of income received by the Group from the sale of spodumene to a single customer. Income received by the Group for by-products is deducted from inventory.

5. FINANCE INCOME AND FINANCE COSTS

	Year ended December 31, 2011	Year ended December 31, 2010	Six months ended December 31, 2009	Year ended June 30, 2009
	$	$	$	$
Finance income				
Interest income on cash assets	2,070,586	1,233,786	483,894	78,278
Net Foreign exchange gains	1,611,006	3,608,094	-	
	3,681,592	4,841,880	483,894	78,278
Finance costs				
Interest expense on financial liabilities	(7,796,478)	(1,813,455)	(105,833)	-
Impairment loss on available-for-sale financial assets (note 16)	(245,000)	(575,000)	-	-
Bank charges	(61,808)	(229,615)	(104,563)	(1,732)
Net foreign exchange losses	-	-	(44,671)	-
Convertible bond transaction costs	(1,999,405)	(2,220,584)	-	-
Convertible bond change in fair value	(4,568,191)		-	-
Amortisation of senior loan facility costs	(12,497,321)	(510,683)	-	-
	(27,168,203)	(5,349,337)	(255,067)	(1,732)
Net finance (costs)/Income	**(23,486,611)**	**(507,457)**	**228,827**	**76,546**

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after (charging)/crediting:

	Year ended December 31, 2011	Year ended December 31, 2010	Six months ended December 31, 2009	Year ended June 30, 2009
	$	$	$	$
(a) Other income				
Net gain on sale of mineral tenements (note 19)	-	-	1,056,356	-
Others	-	-	25,000	-
	-	**-**	**1,081,356**	**-**
(b) Staff costs				
Contributions to defined contribution retirement plans	(316,570)	(210,354)	(78,553)	(145,528)
Equity settled share-based payment expenses	(8,940,786)	(11,219,220)	(8,934,132)	(1,035,503)
Salaries, wages and other benefits	(6,699,975)	(4,891,369)	(1,028,621)	(924,585)
	(15,957,331)	**(16,320,943)**	**(10,041,306)**	**(2,105,616)**
(c) Other items				
Operating lease charges for property rental	(578,362)	(437,756)	(209,319)	(254,463)

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7. AUDITOR'S REMUNERATION

	Year ended December 31, 2011	Year ended December 31, 2010	Six months ended December 31, 2009	Year ended June 30, 2009
	$	$	$	$
Audit services				
Auditors of the Company				
KPMG Australia:				
Audit and review of financial reports	(274,000)	(189,910)	(30,000)	(32,000)
Other assurance services	(55,000)	-	-	-
KPMG People's Republic of China				
Audit and review of financial reports	(45,000)	(45,000)	-	-
	(374,000)	**(234,910)**	**(30,000)**	**(32,000)**
Other services				
Auditors of the Company				
KPMG Australia:				
- Stock Exchange Hong Kong IPO assurance services	-	(850,000)	-	-
- Taxation services	(77,325)	-	-	-
KPMG People's Republic of China				
- Stock Exchange Hong Kong IPO assurance services	-	(350,000)	-	-
- Taxation services	-	-	-	-
	(77,325)	**(1,200,000)**	-	-

8. INCOME TAX

(a) Reconciliation between tax expense and accounting loss at applicable tax rates

	Year ended December 31, 2011	Year ended December 31, 2010	Six months ended December 31, 2009	Year ended June 30, 2009
	$	$	$	$
Loss before taxation	(132,656,383)	(29,583,330)	(12,321,992)	(4,350,893)
Notional tax benefit on loss before taxation, calculated at the rates applicable to losses in the jurisdictions concerned	39,576,424	8,874,999	3,696,598	1,305,268
Non-deductible expenses	(8,980,193)	(6,598,314)	(3,020,435)	(550,615)
Current year losses for which no deferred tax asset was recognised	-	-	-	-
Tax loss not brought to account as a deferred tax asset	-	-	-	-
Tax effect of temporary differences not recognised for deferred tax purposes	-	(345,658)	-	(17,497)
Tax effect on reversal of temporary differences	(2,183,991)	157,204	11,677	-
Tax effect of losses not recognised for deferred tax purposes	(28,412,240)	(2,088,231)	(687,840)	(737,156)
Research and development tax concession benefit	734,968	-	-	592,343
Income tax (expense)/benefit	734,968	-	-	592,343

(i) The statutory tax rate applicable to the Company and the Australian subsidiary was 30%.

(ii) Hong Kong's statutory tax rate for 2009 and 2010 was 16.5%. No provision for Hong Kong Profits Tax was made for the Hong Kong subsidiary incorporated in July 2009 as it did not have assessable profits subject to Hong Kong Profits Tax for 2009, 2010 and 2011.

(iii) The statutory tax rate applicable to the subsidiary established in the PRC in February 2010 was 25%. No provision for the PRC profits tax was made as the PRC subsidiary suffered losses for taxation purposes for 2010 and 2011.

(iv) This tax concession represents Australian Federal tax rebates on qualifying research and development expenditures.

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8. INCOME TAX (CONTINUED)

(b) Tax consolidation

The Company and the Australian subsidiary, Galaxy Lithium Australia Limited, formed a tax consolidated group on July 1, 2008 under Australian taxation laws, whereby they are taxed as a single entity. The head entity of the tax consolidated group is the Company. Also, the Company and the Australian subsidiary entered into a tax funding agreement which provides for the allocation of current taxes between these two entities. The allocation of taxes under the tax funding agreement is recognised as a movement in the intercompany accounts.

Deferred tax assets have not been recognised in respect of the above-mentioned deductible temporary differences and unused tax losses as it is not probable that future taxable profits will be available against which they can be utilised.

(c) Unrecognised deferred tax assets

Deferred tax assets (recognised at 30%) have not been recognised in respect of the temporary differences on the following items:

	Year ended December 31, 2011	Year ended December 31, 2010	Six months ended December 31, 2009	Year ended June 30, 2009
	$	$	$	$
Transaction costs for issue of shares	2,763,711	1,323,810	923,107	214,310
Other deductible temporary differences	11,708,297	835,352	5,824	17,497
Unused tax losses	28,412,240	5,109,907	1,424,995	737,156
	42,884,248	7,269,069	2,353,926	968,963

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8. INCOME TAX (CONTINUED)
(d) Recognised deferred tax assets and liabilities

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements are as follows:

Deferred tax arising from:	**Other receivables**	**Property, plant and equipment**	**Exploration and evaluation assets**	**Available-for-sale financial assets**	**Other payables**	**Provisions**	**Interest bearing liabilities**	**Tax losses**	**Others**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance at June 30, 2009 and July 1, 2009	**4,206**	**-**	**2,585,559**	**-**	**(5,400)**	**(6,632)**	**-**	**(2,577,733)**	**-**	**-**
Charged/(credited) to profit or loss	65,902	-	437,489	7,500	(3,600)	(14,075)	-	(493,216)	-	-
Reclassifications	-	2,642,835	(2,642,835)	-	-	-	-	-	-	-
Balance at December 31, 2009 and January 1, 2010	**70,108**	**2,642,835**	**380,213**	**7,500**	**(9,000)**	**(20,707)**	**-**	**(3,070,949)**	**-**	**-**
Charged/(credited) to profit or loss	(55,317)	426,514	693,914	(127,500)	(49,045)	(368,100)	283,429	(1,976,322)	1,172,427	-
Reclassifications	-	401,270	(401,270)	-	-	-	-	-	-	-
Balance at December 31, 2010 and January 1, 2011	**14,791**	**3,470,619**	**672,857**	**(120,000)**	**(58,045)**	**(388,807)**	**283,429**	**(5,047,271)**	**1,172,427**	**-**
Charged/(credited) to profit or loss	172,787	(13,275,848)	370,726	120,000	48,486	(176,148)	(283,429)	15,914,273	(2,890,847)	-
Reclassifications	-	-	-	-	-	-	-	-	-	-
Deferred tax assets not taken to account	-	(9,805,229)	-	-	-	-	-	11,523,649	(1,718,420)	
Balance at December 31, 2011	**187,578**	**-**	**1,043,583**	**-**	**(9,559)**	**(564,955)**	**-**	**(656,647)**	**-**	**-**

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9. KEY MANAGEMENT PERSONNEL DISCLOSURE

Equity instrument disclosures relating to key management personnel

The movement in the number of options over ordinary shares and number of ordinary shares in Galaxy Resources Limited held directly, indirectly or beneficially by each key management person, including their related parties, is as follows:

As at December 31, 2011

Name	Balance at the start of the year	Changes during the year	Granted during the year	Balance as the end of the year
Shares				
Directors				
C L Readhead	3,805,556	-	-	3,805,556
R J Wanless	2,040,493	-	-	2,040,493
I KS Tan	69,000	-	-	69,000
C B F Whitfield	41,361	-	-	41,361
A P Tse	-	-	-	-
K C Kwan	-	-	-	-
I J Polovineo	-	-	-	-
X Ren	38,091,616	-	-	38,091,616
Y Zheng	38,091,616	-	-	38,091,616
M Spratt	-	-	-	-
S Wu	-	-	-	-
Other Key Management Personnel				
J A Sobolewski	-	-	-	-
T A Stark	350,286	-	-	350,286
A M Sheth	40,000	-	-	40,000
P M Tornatora	60,000	250,000*	-	310,000
J Liu	-	-	-	-
A L Meloncelli	5,000	10,000**	-	15,000
Total shares	82,594,928	260,000	-	82,854,928

* Exercise of options

**On market purchase of shares - superfund

No shares were granted to key management personnel as compensation during 2010 or 2011.

As at December 31, 2010

Name	Balance at the start of the year	Changes during the year	Granted during the year	Balance as the end of the year
Shares				
Directors				
C L Readhead	3,805,556	-	-	3,805,556
R J Wanless	2,140,493	(100,000)	-	2,040,493
I KS Tan	1,200	(3,432,200)	3,500,000	69,000
C B F Whitfield	-	41,361	-	41,361
A P Tse	-	-	-	-
KC Kwan	-	-	-	-
I J Polovineo	-	-	-	-
X Ren	6,818,182	31,273,434	-	38,091,616
Y Zheng	6,818,182	31,273,434	-	38,091,616
Other Key Management Personnel				
J A Sobolewski	98,000	(1,398,000)	1,300,000	-
T A Stark	350,286	-	-	350,286
A M Sheth	40,000	(1,450,000)	1,450,000	40,000
P M Tornatora	250,000	(1,440,000)	1,250,000	60,000
A L Meloncelli	5,000	-	-	5,000
Total shares	20,326,899	54,768,029	7,500,000	82,594,928

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9. KEY MANAGEMENT PERSONNEL DISCLOSURE (CONTINUED)
Equity instrument disclosures relating to key management personnel (continued)

As at December 31, 2011

Name	Balance at the start of the year	Changes during the year	Granted during the year	Balance as the end of the year	Vested during the year	Vested and exercisable at Dec 31, 2011
Options						
Directors						
C L Readhead	3,250,000	-	-	3,250,000	-	750,000
R J Wanless	2,750,000	-	-	2,750,000	-	750,000
I KS Tan	10,500,000	-	-	10,500,000	-	1,000,000
C B F Whitfield	1,000,000	-	-	1,000,000	-	-
A P Tse	1,000,000	-	-	1,000,000	-	-
K C Kwan	1,000,000	-	-	1,000,000	-	-
I J Polovineo	1,000,000	(1,000,000)**	-	-	-	-
X Ren	1,000,000	-	-	1,000,000	-	-
Y Zheng	1,500,000	-	-	1,500,000	-	-
M Spratt	-	-	1,000,000	1,000,000	-	-
S Wu	-	-	-	-	-	-
Other Key Management Personnel						
J A Sobolewski	2,200,000	-	-	2,200,000	-	450,000
T A Stark	3,800,000	-	-	3,800,000	-	2,050,000
A M Sheth	2,350,000	-	-	2,350,000	-	600,000
P M Tornatora	1,150,000	(250,000)*	-	900,000	-	-
D J Coutts	1,000,000	(1,000,000)**	-	-	-	-
J Liu	900,000	-	-	900,000	200,000	200,000
A L Meloncelli	2,000,000	-	-	2,000,000	1,000,000	1,000,000
Total options	36,400,000	(2,250,000)	1,000,000	35,150,000	1,200,000	6,800,000

* Exercised ** Forfeited

As at December 31, 2010

Name	Balance at the start of the year	Exercised during the year	Granted during the year	Balance as the end of the year	Vested during the year	Vested and exercisable at Dec 31, 2010
Options						
Directors						
C L Readhead	1,250,000	-	2,000,000	3,250,000	-	750,000
R J Wanless	1,250,000	-	1,500,000	2,750,000	-	750,000
I KS Tan	6,000,000	(3,500,000)	8,000,000	10,500,000	-	1,000,000
C B F Whitfield	-	-	1,000,000	1,000,000	-	-
A P Tse	-	-	1,000,000	1,000,000	-	-
KC Kwan	-	-	1,000,000	1,000,000	-	-
I J Polovineo	-	-	1,000,000	1,000,000	-	-
X Ren	-	-	1,000,000	1,000,000	-	-
Y Zheng	-	-	1,500,000	1,500,000	-	-
Other Key Management Personnel						
J A Sobolewski	2,500,000	(1,300,000)	1,000,000	2,200,000	-	450,000
T A Stark	2,800,000	-	1,000,000	3,800,000	-	2,050,000
A M Sheth	2,800,000	(1,450,000)	1,000,000	2,350,000	-	600,000
P M Tornatora	1,900,000	(1,250,000)	500,000	1,150,000	-	250,000
D J Coutts	-	-	1,000,000	1,000,000	-	-
A L Meloncelli	-	-	2,000,000	2,000,000	-	-
Total options	18,500,000	(7,500,000)	24,500,000	35,500,000	-	5,850,000

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10. CONTINGENT ASSETS AND LIABILITIES
No contingent assets or liabilities have arisen.

11. LOSS PER SHARE
The calculation of basic loss per share for each year was based on the loss attributable to ordinary shareholders and using a weighted average number of ordinary shares outstanding.

	Year ended December 31, 2011	Year ended December 31, 2010	Six months ended December 31, 2009	Year ended June 30, 2009
Basic and diluted loss per share (cents)	(47.12)	(16.62)	(11.91)	(6.40)
Loss attributable to the ordinary shareholders of the Company	(131,921,415)	(29,583,330)	(12,321,992)	(3,758,550)
Weighted average number of shares				
Issued ordinary shares at beginning of the year	192,403,358	149,934,608	76,125,816	51,412,297
Effect of share options exercised	226,712	7,091,284	1,573,117	2,575,786
Effect of shares issued	87,362,986	21,009,337	25,797,991	4,735,733
Weighted average number of ordinary shares outstanding in year	279,993,056	178,035,229	103,496,924	58,723,816

All potentially dilutive instruments comprising the Convertible Bonds and employee share options were antidilutive.

12. OPERATING SEGMENTS
In February 2010, the Group established a subsidiary in the People's Republic of China (PRC), which mainly engaged in the construction of the Jiangsu lithium carbonate plant. Since then, the Group has managed its businesses by geographic location, which resulted in two operating and reportable segments which consisted of Australian operation and the PRC operation as set out below. This is consistent with the way in which information is reported internally to the Group's Managing Director for the purposes of resource allocation and performance assessment.

- Australia operation includes the development of the Mt. Cattlin spodumene mine and exploration for minerals.
- China operation represents the construction of the Jiangsu lithium carbonate plant and was established in February 2010.

(a) Segment results and assets
For the purposes of resource allocation and performance assessment, the Group's Managing Director monitors the results and assets attributable to each reportable segment on the following bases:

Segment results are profit or loss before taxation which is measured by allocating revenue and expenses to the reportable segments according to geographic location which they arose in or related to.

Segment assets include property, plant and equipment, lease prepayment and exploration and evaluation assets. The geographical location of the segment assets is based on the physical location of the assets.

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12. OPERATING SEGMENTS (CONTINUED)
(a) Segment results and assets (continued)

For the twelve months ended December 31, 2011:

	Australia operation		China operation		Total	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Depreciation and amortisation	(4,445,182)	(121,733)	(124,832)	(48,192)	(4,570,014)	(169,925)
Finance income	5,978,536	8,905,729	211,013	116,329	6,189,549	9,022,058
Finance costs	(29,344,552)	(9,035,614)	(331,608)	(493,901)	(29,676,160)	(9,529,515)
Reportable segment loss before income tax	(129,695,790)	(26,981,810)	(2,960,593)	(2,601,520)	(132,656,383)	(29,583,330)
Other material non-cash items:						
Impairment loss on available-for-sale financial assets	(245,000)	(575,000)	-	-	(245,000)	(575,000)
Impairment on property, plant and equipment and intangible assets	(42,034,000)	-	-	-	(42,034,000)	-
Reportable segment assets	101,695,238	124,407,237	93,788,984	26,069,866	195,484,222	150,477,103
Additions to non-current segment assets during the period	(22,711,999)	102,492,012	67,719,118	26,069,866	45,007,119	128,561,878

(b) Reconciliations of reportable segment profit or loss, assets and liabilities

There were no inter-segment transactions from January to December 2011. Accordingly there are no reconciling items between reportable segment's loss and the Group's loss before tax.

The reconciliation between reportable segment assets and the Group's consolidated total assets as at the end of the financial year is as follows:

	2011	**2010**
Assets		
Total assets for reportable segments	195,484,222	150,477,103
Available-for-sale financial assets	205,000	600,000
Other receivables and intangibles	14,496,814	6,888,938
Inventories	13,518,420	2,001,922
Restricted cash deposit	-	48,054,753
Cash and cash equivalents	17,996,933	27,509,567
Consolidated total assets	241,701,389	235,532,283

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13. PROPERTY, PLANT AND EQUIPMENT

	Year ended December 31, 2011	Year ended December 31, 2010
Cost	**$**	**$**
Land		
Balance at beginning of the year	1,172,000	932,000
Additions	-	240,000
Balance at end of the year	1,172,000	1,172,000
Plant and equipment		
Balance at beginning of the year	840,046	207,442
Additions	2,254,869	-
Transfer from assets under construction	119,631,781	632,604
Balance at end of the year	122,726,696	840,046
Assets under construction (a)		
Balance at beginning of the year	126,177,244	7,304,818
Additions	83,849,115	118,872,426
Transfer to plant and equipment	(119,631,781)	-
Balance at end of the year	90,394,578	126,177,244
Development expenditure		
Balance at beginning of the year	17,378,199	12,410,078
Additions	329,537	3,630,552
Transfer from exploration and evaluation assets (note 15)	-	1,337,569
Balance at end of the year	17,707,736	17,378,199
Total Property, Plant and Equipment		
Balance at beginning of the year	145,567,489	20,854,338
Additions	86,433,521	123,375,582
Transfer from exploration and evaluation assets	-	1,337,569
Balance at end of the year	**232,001,010**	**145,567,489**
Accumulated depreciation and impairment losses		
Land		
Balance at beginning and end of the year	-	-
Plant and equipment		
Balance at beginning of the year	169,497	39,166
Depreciation	4,177,954	130,331
Impairment loss	33,657,462	-
Balance at end of the year	38,004,913	169,497
Assets under construction		
Balance at beginning and end of the year	-	-
Development expenditure		
Amortisation	-	-
Depreciation	342,132	-
Impairment loss	8,376,538	-
Balance at end of the year	8,718,670	-

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13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Year ended December 31, 2011	Year ended December 31, 2010
Total	**$**	**$**
Balance at beginning of the year	169,497	39,166
Depreciation	4,520,086	130,331
Impairment loss (b)	42,034,000	-
Balance at end of the year	**46,723,583**	**169,497**
Carrying amounts		
Land	1,172,000	1,172,000
Plant and equipment	84,721,783	670,549
Assets under construction (a)	90,394,578	126,177,244
Development expenditure	8,989,066	17,378,199
Total property, plant and equipment	**185,277,427**	**145,397,992**

(a) Assets under construction represented plant and equipment and construction works under way at the Mt Cattlin spodumene mine and the Jiangsu lithium carbonate plant site. Mt Cattlin construction has been completed during the year ended December 31, 2011.

(b) The Company considers the Mt Cattlin mine and concentrator, together with the Jiangsu lithium carbonate plant (Mt Cattlin Lithium Project or "the project") as a single cash generating unit ("CGU") for the purpose of assessing impairment.

Due to increased ramp up and commissioning timeframes at Mt Cattlin together with increased capital costs of property, plant and equipment for the project and unfavourable foreign exchange rate movements during the year ended December 31, 2011 the Group tested the CGU for impairment. The Group have determined the recoverable amount of the CGU using a value in use methodology. The Group's value in use calculation is based on discounted cash flows for the projected life of the project of 17 years. A real post tax discount rate has been derived as a weighted cost of equity and debt. Cost of equity is calculated using ten year bond rates plus an appropriate market risk premium. The cost of debt is based on the yield on a 10 year BBB rated corporate bond. The real post tax discount rate for determining the CGU's recoverable amount was 13.6 percent. The pre-tax discount rate applied for impairment testing was 16.1%, which represents a pre-tax equivalent to the post-tax discount rate. For the term of the cash flows the Group has assumed 2 percent per annum real growth in lithium carbonate price, USD/AUD exchange rates varying from 0.96 to 1.05 and AUD/CNY exchange rates varying from 5.1 to 5.9 over the term of the cash flows.

The CGU recoverable amount assessment was particularly sensitive to the USD/AUD exchange rate whereby, with all other assumptions remaining equal, a 10% strengthening of the long term USD/AUD rate would lead to an impairment reduction of $41 million.

The resulting impairment charge of $42,034,000, recorded in the year ended December 31, 2011 has been recognised in profit or loss and allocated to the following asset classes within property, plant and equipment of the Australian operating segment:

- Development expenditure $8,376,538*
- Plant and equipment $33,657,462**

* Relates to historical exploration and development costs at the Mt Cattlin Project.
** Relates to pre-commencement costs at Mt Cattlin.

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14. LEASE PREPAYMENT

	Year ended December 31, 2011	Year Ended December 31, 2010
	$	$
Cost		
Balance at beginning of the year	2,873,250	-
Additions	-	2,873,250
Balance at end of the year	2,873,250	2,873,250
Accumulated amortisation		
Balance at beginning of the year	36,991	-
Amortisation	54,192	36,991
Balance at end of the year	91,183	36,991
Carrying amounts	2,782,067	2,836,259

Lease prepayment represents a lump sum prepayment made in April 2010 for a land use right in the PRC with the lease term of 50 years. Lease prepayment is amortised on a straight-line basis over the period of the lease term.

15. EXPLORATION AND EVALUATION ASSETS

	Year ended December 31, 2011	Year ended December 31, 2010
	$	$
Cost:		
Balance at beginning of the year	2,242,852	1,267,375
Acquisitions (a)	2,900,000	-
Additions	2,281,876	2,313,046
Less:		
Transfer to property, plant and equipment (note 13)	-	(1,337,569)
Balance at end of the year	7,424,728	2,242,852

(a) In the year ended December 31, 2011, the Group purchased 20% of the James Bay Project for 3 million Canadian dollars.

Recoverability of the carrying amount of deferred exploration and evaluation assets is dependent on the successful commercial exploitation, or alternatively, sale of the respective area of interest.

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year ended December 31, 2011	Year ended December 31, 2010
	$	$
Equity securities listed in Australia, at fair value	205,000	600,000

As at December 31, 2011, the Group's available-for-sale financial assets were individually determined to be impaired on the basis of a significant decline in their fair value below cost. Adverse changes in the market in which these investees operated indicated that the cost of the Group's investment in them may not be recovered. As such, an impairment loss of $245,000 was recognised, which represented the excess of original cost over the fair value in accordance with the policy set out in note 3(e).

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17. OTHER RECEIVABLES

	Year ended December 31, 2011	Year ended December 31, 2010
	$	$
Current		
Other receivables (a)	10,603,924	2,756,712
Prepayments	66,808	1,723,936
Amounts capitalised for proposed Hong Kong listing (b)	-	1,397,756
Others	57,880	57,880
	10,728,612	5,936,284
Non-Current		
Security bonds (c)	1,232,000	913,000
Other receivables and prepayments	2,536,202	39,654
	3,768,202	952,654
	14,496,814	6,888,938

(a) Other receivables comprise mainly GST/VAT receivable.

(b) During the years ended December 31, 2010 and December 31, 2011, the Group incurred costs in relation to a proposed listing on the Hong Kong Stock Exchange (HKSE). On March 14, 2011, the HKSE listing project was postponed due to unfavourable market conditions. The amounts capitalised for the proposed HKSE listing have been written-off during the year ended December 31, 2011.

(c) The non-current security bonds mainly relate to a restoration performance bond paid by the Group to the Australian government authorities to secure the Group's mining lease for the Mt. Cattlin spodumene mine. The bond is interest-bearing at 2.44%, unsecured and repayable once rehabilitation of the Mt. Cattlin spodumene mine is completed to the Western Australian Government's satisfaction.

18. RESTRICTED CASH DEPOSIT

	Year ended December 31, 2011	Year ended December 31, 2010
	$	$
Current		
Restricted cash deposit	-	5,220,082
Non-current		
Restricted cash deposit	-	42,834,671
	-	48,054,753

(a) The restricted cash deposits of $48,054,753 at December 31, 2010, were pledged as security pursuant to the terms of the China Development Bank Corporation and RB International Finance (Hong Kong) Limited loan facilities detailed in note 22. The deposit is no longer restricted following the repayment of the loans.

19. CASH AND CASH EQUIVALENTS

	Year ended December 31, 2011	Year ended December 31, 2010
	$	$
Current		
Cash at bank and on hand	17,996,933	27,509,567
	17,996,933	27,509,567

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 30.

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19. CASH AND CASH EQUIVALENTS (CONTINUED)
Reconciliation of loss after tax to net cash inflow from operating activities:

	Year ended December 31, 2011	Year ended December 31, 2010	Six months ended December 31, 2009	Year ended June 30, 2009
	$	$	$	$
Loss for the period	(131,921,415)	(29,583,330)	(12,321,992)	(3,758,550)
Adjustment for:				
Depreciation and amortisation	4,570,014	169,925	21,162	15,724
Net finance costs/(income)	23,486,611	507,457	228,827	(76,546)
Impairment	42,034,000	-	-	-
Profit on sale of tenements	-	-	(1,056,356)	-
Exploration costs written off	-	-	-	1,520,875
Share-based payments	8,940,786	11,219,220	8,934,132	1,035,503
	79,031,411	11,896,602	8,127,765	2,495,556
Change in receivables	(6,804,571)	(1,233,697)	(1,091,568)	(146,569)
Change in payables	11,841,427	4,757,093	710,725	245,692
Change in inventories	(11,516,498)	(2,001,922)	-	-
Change in prepayments	1,657,128	(1,698,869)	562	-
Change in provisions and employee benefits	379,038	1,190,121	46,917	22,107
	(4,443,476)	1,012,726	(333,364)	121,230
Net cash used in operating activities	(57,333,480)	(16,674,002)	(4,527,591)	(1,141,764)

20. TRADE AND OTHER PAYABLES

	Year ended December 31, 2011	Year ended December 31, 2010
	$	$
Trade payables	23,334,864	9,255,176
Other payables	3,576,518	2,826,669
Amounts due to Allion Legal Pty Ltd (note 28)	69,124	41,282
	26,980,506	12,123,127

21. PROVISIONS

	Year ended December 31, 2011	Year ended December 31, 2010
	$	$
Current		
Provision for annual leave	406,183	346,145
Balance at end of the year	406,183	346,145
Non-current		
Provision for rehabilitation (a)	1,232,000	913,000
Balance at end of the year	1,232,000	913,000

(a) The Group has a legal obligation to rehabilitate the site where the Mt. Cattlin spodumene mine is located once the mining operations ceased which would be when the current mine life of the project expires which is estimated to be 2026.

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22. INTEREST BEARING LIABILITIES

	Year ended December 31, 2011	Year ended December 31, 2010
	$	$
Current		
Bank loan – Letter of Credit	-	7,636,968
Unsecured bank loan (b)	3,714,935	-
Balance at end of the year	3,714,935	7,636,968
Non Current		
Unsecured bank loan (a)	29,784,469	-
Secured bank loan (c)	-	91,078,868
Convertible Bonds (d)	66,068,191	32,000,000
Balance at end of the year	95,852,660	123,078,868

a) The non-current facility with China Construction Bank (CCB) is an unsecured RMB fixed asset facility of 136m RMB with a term of 3 years and 129.6m RMB with a term of 5 years. The current interest rates are 6.4% and 6.9% respectively. At December 31, 2011, 192.5m RMB of an approved 266m RMB was drawn down. 78m RMB and 121m RMB are repayable in 2013 and 2014 respectively.

b) The current Facility with China Construction Bank (CCB) is an unsecured RMB working capital facility with a term of 1 year. At December 31, 2011, 24m RMB of an approved 114m RMB was drawn down. The current interest rate is 6.56%.

c) On September 10, 2010, the Group executed a loan facility agreement with China Development Bank Corporation and RB International Finance (Hong Kong) Limited of US$105,000,000 (the "Facility"). On September 22, 2010, the Facility was drawn down in full. Transaction costs of $12,729,737 that were directly attributable to the acquisition of the Facility have been capitalised into the cost of the Facility. This facility was repaid during the year ended December 31, 2011 with all previously capitalised transaction costs recognised through profit or loss.

d) On November 4, 2010 the Group entered into a Convertible Bond subscription Agreement to issue up to $61.5 million, 8% convertible bonds ("Bonds") maturing in November 2015. The Bonds are unsecured.

Interest is payable semi annually in arrears. Each Bond is convertible into fully paid ordinary shares of the Company at the reset price of $1.16. Subject to certain restrictions, a Bondholder is entitled to convert at any time until maturity date in November 2015. The conversion price will be subject to adjustment upon the occurrence of certain prescribed events including among others, consolidation, subdivision or reclassification of the Company's shares, capitalisation of profits or reserves, capital distributions (including dividends), rights issues, the grant of options over shares or other securities convertible into shares at less than 95% of the then current market price up until six months from the date of closing or at less than the market price thereafter (provided no adjustment shall be made for any initial public offering of shares on another stock exchange prior to June 30, 2011 if the offer price is greater than or equal to $1.16 or other anti dilution adjustment events). No adjustments to conversion price are to be made where dilution events occur as a result of issues to employees or Directors of the Company.

A Bondholder may, at the end of year 3, require the Company to redeem all, or some of the Bonds at their principal amount. The Company may redeem all (but not some) of the Bonds on issue from November 2013 at their principal amount where if for 20 out of 30 relevant trading days the share price exceeds 130% of the applicable conversion price or at any time 90% or more of the aggregated principal of the original Bonds issued has been converted or redeemed. The convertible bonds are recognised at fair value through profit or loss. Further information regarding valuation methodology is included in note 31(vi).

On November 19, 2010, the Company issued the first tranche of the bonds being $32 million receiving $29.69 million in net proceeds. On January 17, 2011, the Company issued the initial part of the second tranche of bonds being $10.5 million and on February 16, 2011, the Company issued the remaining second tranche of the bonds being $19 million.

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23. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company has an employee share option scheme which was adopted on February 5, 2007 and approved by the shareholders on April 2, 2009 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group to take up options at nil consideration to subscribe for shares in the Company. Options are also granted to directors from time to time as approved by the shareholders under the Corporations Act 2001 of the Commonwealth of Australia. Options vest immediately or after a certain period from the grant date and are then exercisable within a period of three to five years. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

(a) The terms and conditions of the share options that existed are as follows:

(i) Options granted to directors

Grant date	Options Classes	Number of instruments	Vesting conditions	Non-vesting conditions	Contractual life of option	Market value per share at date of grant of options
27/11/2008	A	500,000	Fully vested	Each option shall vest on completion of the Company securing all necessary debt and equity funding for the development of the Mt Cattlin project	3 years from the grant date	$0.43
27/11/2008	B	500,000	Fully vested	Each option shall vest on achievement of commercial production of lithium concentrate at the Mt Cattlin project at the nameplate rate specified in the bankable feasibility study for that project	3 years from the grant date	$0.43
27/11/2008	C	500,000	Fully vested	Each option shall vest once the Company achieves a positive earnings before interest and tax from production of lithium carbonate and concentrate from its Mt Cattlin project	3 years from the grant date	$0.43
2/04/2009	D1	3,000,000	Fully vested	Each option shall vest on completion of the Company securing all necessary debt and equity funding for the development of the Mt Cattlin project	5 years from satisfaction of non-vesting conditions	$0.39
2/04/2009	E1	2,500,000	Fully vested	Each option shall vest on achievement of commercial production of lithium concentrate at the nameplate capacity specified in the final plant design at the Company's Mt Cattlin project for 3 consecutive months	5 years from satisfaction of non-vesting conditions	$0.39
14/10/2009	G1	3,000,000	Fully vested	Each option will be issued on completion of the Company securing all necessary debt and equity funding for the development of the Jiangsu lithium carbonate plant	5 years from satisfaction of non-vesting conditions	$1.92

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23. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) The terms and conditions of the share options that existed are as follows (continued):

(i) Options granted to directors (continued)

Grant date	Options Classes	Number of instruments	Vesting conditions	Non-vesting conditions	Contractual life of option	Market value per share at date of grant of options
04/06/2010	J	3,000,000	Completion of 18 months of service from date of grant and increase shareholder returns by 68% measured by 5 day volume-weighted-average-price being greater than $2.00 per share	None	5 years from the vesting date	$1.06
22/12/2010	K1	15,000,000	Latest to occur of completion of 12 months service from 13 October 2010, the Company listing on the Stock Exchange of Hong Kong Ltd, and the Company's share price being greater than A$2 based on the 10 day VWAP.	None	5 years from the vesting date	$1.40
16/05/2011	K3	2,000,000	Latest to occur of completion of 12 months service from 13 October 2010, successful listing on Stock Exchange of Hong Kong Ltd, and Company's share price being greater than A$2.00 based on 10 day VWAP	None	5 years from the vesting date	$1.01

(ii) Options granted to third parties

Grant date	Options classes	Number of instruments	Vesting conditions	Non-vesting conditions	Contractual life of option	Market value per share at date of grant of options
29/06/2007	**Advisor 1**	750,000	Vested immediately	None	Expire on January 30, 2010	$0.66
04/06/2010	**Advisor 2**	1,000,000	Vested immediately	None	Expire on June 30, 2012	$1.02

The Company granted 750,000 share options to the financial advisors who sponsored the Company's initial public offering on the ASX as part of the compensation for their professional services provided.

The Company granted 1,000,000 share options to a consultant advisor as part of the compensation for the professional services provided.

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23. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) The terms and conditions of the share options that existed during are as follows (continued):

(iii) Options granted to employees

Grant date	Options Classes	Number of instruments	Vesting conditions	Non-vesting conditions	Contractual life of option	Market value per share at date of grant of options
17/04/2009	D2	4,100,000	Fully vested	Each option shall vest on completion of the Company securing all necessary debt and equity funding for the development of the Mt Cattlin project	5 years from satisfaction of non-vesting conditions	$0.43
17/04/2009	E2	2,850,000	Fully vested	Each option shall vest on achievement of commercial production of lithium concentrate at the nameplate capacity specified in the final plant design at the Company's Mt Cattlin project for 3 consecutive months	5 years from satisfaction of non-vesting conditions	$0.43
17/04/2009	F	750,000	Fully vested	None	5 years from the grant date	$0.43
14/10/2009	D3	1,250,000	Fully vested	Each option shall vest on completion of the Company securing all necessary debt and equity funding for the development of the Mt Cattlin project	5 years from satisfaction of non-vesting conditions	$1.92
23/11/2009	G2	4,000,000	Fully vested	Each option will be issued on completion of the Company securing all necessary debt and equity funding for the development of the Jiangsu lithium carbonate plant	5 years from satisfaction of non-vesting conditions	$1.60
10/03/2010	E3	850,000	Fully vested	Each option shall vest on achievement of commercial production of lithium concentrate at the nameplate capacity specified in the final plant design at the Company's Mt Cattlin project for 3 consecutive months	5 years from satisfaction of non-vesting conditions	$1.24
10/03/2010	H	2,200,000	Fully vested	Each option shall vest on achievement of commercial production of lithium concentrate at the nameplate capacity specified in the final plant design at the Company's Jiangsu project for 3 consecutive months	5 years from satisfaction of non-vesting conditions	$1.24
10/03/2010	I	3,600,000	Completion of 18 months of employment	None	5 years from the vesting date	$1.24
22/12/2010	K2	14,800,000	Latest to occur of completion of 12 months service from October 13, 2010, the Company listing on the Stock Exchange of Hong Kong Ltd, and the Company's share price being greater than A$2 based on the 10 day VWAP.	None	5 years from the vesting date	$1.40

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23. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) The terms and conditions of the share options that existed are as follows (continued):

(iii) Options granted to employees (continued):

Grant date	Options Classes	Number of instruments	Vesting conditions	Non-vesting conditions	Contractual life of option	Market value per share at date of grant of options
24/03/2011	L	3,650,000	Latest to occur of completion of 18 months service from 24 February 2011, successfully listing on Stock Exchange of Hong Kong Ltd, and Company's share price being greater than A$2.00 based on a 10 day VWAP.	None	3 years from the vesting date	$1.33

(b) The number and weighted average exercise prices of share options are as follows:

	Year ended December 31, 2011		Year ended December 31, 2010	
	Weighted average exercise price $	Number of options '000	Weighted average exercise price $	Number of options '000
Outstanding at the beginning of the year	0.66	51,950	0.62	22,969
Exercised during the year	0.60*	(250)	0.63	(11,469)
Forfeited during the year	1.15	(6,050)	-	-
Expired during the year	-	-	-	-
Granted during the year	1.16	5,650	1.13	40,450
Outstanding at the end of the year	1.02	51,300	0.66	51,950
Exercisable at the end of the year	0.82	10,500	0.67	4,818

***** The weighted average share price at the date of exercise for share options exercised during the year ended December 31, 2011 was $1.60 (2010; $1.32)

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23. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)
c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of the share options granted. The estimate of the fair value of these share options granted is measured using a generally accepted valuation techniques including Black & Scholes and Monte-Carlo (K1, K2, K3 and L) simulations. The Company has applied an appropriate probability weighting to factor the likelihood of the satisfaction of non-vesting conditions.

Fair value of share options and assumptions per class issued	D1	D2	D3	E1	E2	F	G1	G2	E3	H	I	J	Advisor 2
Fair value at grant date	0.29	0.33	1.41	0.29	0.33	0.33	1.41	0.92	1.00	1.00	1.03	0.77	0.64
Share price at grant date	0.39	0.43	1.92	0.39	0.43	0.43	1.92	1.60	1.24	1.24	1.24	1.06	1.02
Exercise price ($)	0.60	0.60	0.60	0.60	0.60	0.45	0.60	0.90	1.11	1.11	1.11	0.96	1.00
Expected volatility (%) (weighted average volatility)	101.60	101.30	99.60	101.60	101.30	101.30	99.60	99.13	97.00	97.00	97.00	97.00	92.00
Option life (years)	5.7	5.6	1.0	5.6	5.6	5.0	1.0	1.0	5.6	5.6	6.5	6.5	2.1
Expected dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk-free interest rate (%) (based on government bonds)	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.50	6.50	6.50	6.50	6.50
Probability applied to the non-vesting conditions	30%	30%	100%	10%	10%	100%	100%	100%	80%	60%	70%	N/A	100%

Fair value of share options and assumptions per class issued	K1	K2	K3	L
Fair value at grant date	0.94	0.94	0.29	0.52
Share price at grant date	1.35	1.35	1.06	1.33
Exercise price ($)	1.16	1.16	1.16	1.16
Expected volatility (%) (weighted average volatility)	70.00	70.00	70.00	70.00
Option life (years)	6.00	6.00	6.13	4.42
Expected dividends	-	-	-	-
Risk-free interest rate (%) (based on government bonds)	5.43	5.43	5.19	5.13
Probability applied to the non-vesting conditions	N/A	N/A	N/A	N/A

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Changes in the subjective input assumptions could materially affect the fair value estimate.

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23. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(c) Fair value of share options and assumptions (continued)

Probability applied to the non-vesting conditions is based on management's judgement which was formed in consideration of all the facts and circumstances that were available to management at the grant date of each class of share options. Such facts and circumstances included the overall economy condition, lithium market condition, the Company's business plan and management's industry experience. Changes in the subjective probability ratios applied could materially affect the fair value estimate.

Certain share options were granted under service and non-market performance conditions. This condition has not been taken into account in the grant date fair value measurement. There were no market conditions associated with the share option grants, except for class J, K1, K2 and K3, which has been taken into account in measuring the grant date fair value.

24. INVENTORIES

	Year ended December 31, 2011	Year ended December 31, 2010
	$	$
Current		
Stores	2,124,363	2,001,922
Work in progress - spodumene	11,394,057	-
Carrying amount of inventories	13,518,420	2,001,922

Stores inventory is carried at cost. Work in progress inventory is presented at net realisable value (NRV). Write-downs of inventory to NRV are included in mine operating expenses.

25. CAPITAL AND RESERVES

a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity.

b) Share capital

i) Authorised and issued share capital

	Year ended December 31, 2011	Year ended December 31, 2010	Six months ended December 31, 2009	Year ended June 30, 2009
	$	$	$	$
Authorised:				
Ordinary shares at no par value	271,457,219	128,419,427	88,834,372	15,637,914
Ordinary shares, issued and fully paid				
Balance at the beginning of the year	128,419,427	88,834,372	15,637,914	8,218,905
Issue of shares	150,000,000	27,280,000	74,640,000	7,067,507
Exercise of share options via equity-settled share-based transactions	150,000	7,235,625	969,375	705,000
Exercise of free options (*)	-	-	1,455,776	20,475
	278,569,427	123,349,997	92,703,065	16,011,887
Transfer from equity-settled payment reserve upon exercise/cancellation of share options	18,929	6,755,718	812,609	76,365
Transaction costs	(7,131,137)	(1,686,288)	(4,681,302)	(450,338)
Balance at the end of the year	271,457,219	128,419,427	88,834,372	15,637,914

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25. CAPITAL AND RESERVES (CONTINUED)

b) Share capital (continued)

	Number of Shares	Number of Shares	Number of Shares	Number of Shares
Authorised:				
Ordinary shares at no par value	323,327,000	192,403,358	149,934,608	76,125,816
Ordinary shares, issued and fully paid				
Balance at the beginning of the year	192,403,358	149,934,608	76,125,816	51,412,297
Issue of shares (b)	130,673,642	31,000,000	67,418,182	21,130,019
Exercise of options (equity-settled share-based transactions)	250,000	11,468,750	2,231,250	3,525,000
Exercise of free options (a)	-	-	4,159,360	58,500
Balance at the end of the year/period	323,327,000	192,403,358	149,934,608	76,125,816

(a) The Company issued 4,220,000 ordinary shares of $0.35 each on December 15, 2008 together with free attaching, 4,220,000 unlisted one year share options exercisable at $0.35 each. There were no conditions attached to these options. Proceeds from the exercise of these options were recognised in equity when they were received.

(b) Shares were issued during the year in order to provide working capital to the Company. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation. All shares issued are fully paid.

ii) Shares issued under share option scheme

Particulars of shares exercised under share option scheme during the year and the prior year are as follows. All of the shares issued were ordinary.

Options exercised by directors:

Date of exercise	Number of shares issued	Transfer from equity settled payment reserve to share capital	Consideration recognised in share capital
January 20, 2010	18,750	3,318	5,625
February 4, 2010	500,000	17,987	150,000
March 10, 2010	250,000	8,993	100,000
March 22, 2010	500,000	17,987	200,000
April 9, 2010	250,000	8,993	100,000
April 29, 2010	500,000	32,714	300,000
April 29, 2010	2,000,000	2,757,871	1,200,000
November 11, 2010	1,000,000	65,429	600,000
December 31, 2010	500,000	17,987	200,000
Total	**5,518,750**	**2,931,279**	**2,855,625**

Options exercised by employees:

Date of exercise	Number of shares issued	Transfer from equity settled payment reserve to share capital	Consideration recognised in share capital
January 7, 2010	100,000	86,486	90,000
January 12, 2010	200,000	172,973	180,000
January 15, 2010	200,000	172,973	180,000
January 20, 2010	200,000	172,973	180,000
April 29, 2010	1,650,000	124,933	990,000
April 29, 2010	2,000,000	1,729,725	1,800,000
April 29, 2010	1,250,000	1,337,877	750,000
November 8, 2010	350,000	26,501	210,000
February 3, 2011	250,000	18,929	150,000
Total	**6,200,000**	**3,843,370**	**4,530,000**

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25. CAPITAL AND RESERVES (CONTINUED)

b) Share capital (continued)

iii) Terms of unexpired and unexercised share options at each balance sheet date

Options issued to directors:

Exercise period	Exercise price	December 31, 2011 Number	December 31, 2010 Number
November 26, 2009 to November 26, 2014	$0.60	-	1,500,000
November 26, 2009 to November 26, 2014	$0.60	-	1,000,000
Not exercisable until satisfaction of non-vesting conditions	$0.60	-	2,500,000
Not exercisable until satisfaction of vesting conditions	$1.11	-	3,000,000
Not exercisable until satisfaction of vesting conditions	$1.16	2,000,000	15,000,000
Total		**2,000,000**	**23,000,000**

Options issued to employees:

Exercise period	Exercise price	December 31, 2011 Number	December 31, 2010 Number
April 17, 2009 to April 17, 2014	$0.45	-	750,000
November 26, 2009 to November 26, 2014	$0.60	-	2,100,000
November 26, 2009 to November 26, 2014	$0.90	-	800,000
Not exercisable until satisfaction of non-vesting conditions	$0.60	-	2,850,000
Not exercisable until satisfaction of non-vesting conditions	$1.11	-	850,000
Not exercisable until satisfaction of non-vesting conditions	$1.11	-	2,200,000
Not exercisable until satisfaction of vesting conditions	$1.11	-	3,600,000
Not exercisable until satisfaction of vesting conditions	$1.16	3,650,000	14,800,000
Total		**3,650,000**	**27,950,000**

Options issued to third parties:

Exercise period	Exercise price	December 31, 2011 Number	December 31, 2010 Number
June 4, 2010 to June 30, 2012	$1.00	-	1,000,000

c) Nature and purpose of reserves

i) Equity-settled payment reserve

The equity-settled payments reserve comprise the portion of the grant date fair value of unexercised share options granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 3(m).

ii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the Financial Report of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(l).

iii) Fair value reserve

The fair value reserve comprises the cumulative net change in fair value of available-for-sale financial assets until the investments are derecognised or impaired.

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25. CAPITAL AND RESERVES (CONTINUED)
(d) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital to ensure its entities will be able to continue as going concern while maximising the return to shareholders through the optimisation of its capital structure comprising all components of equity and loans and borrowings.

	2011	2010
	$	$
Total liabilities	128,186,284	144,098,108
Less: cash and cash equivalents	(17,996,933)	(27,509,567)
Net debt	110,189,351	116,588,541
Total equity	113,515,105	91,434,175
Net debt to equity ratio at December 31	0.97	1.27

The Group have maintained a capital base through a cash management strategy including the preparation and monitoring of cash flow forecasts and cost control. Where a cash requirement is identified management will prepare suitable funding solutions to address the identified requirement.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26. PARENT ENTITY DISCLOSURE

Result of the parent entity	**Year ended December 31, 2011**	**Year ended December 31, 2010**	**Six months ended December 31, 2009**	**Year ended June 30, 2009**
	$	$	$	$
Loss for the year	(44,646,784)	(31,997,684)	(10,866,908)	(4,350,893)
Other comprehensive income/(loss)	(150,000)	150,000	-	-
Total comprehensive income for the year	(44,796,784)	(31,847,684)	(10,866,908)	(4,350,893)
Financial Position of parent entity at year end:				
Current Assets	12,298,556	17,419,773	64,006,846	3,815,404
Total Assets	270,199,272	128,279,326	88,033,394	12,698,761
Current Liabilities	(2,890,523)	(2,568,630)	(6,156,574)	(1,273,014)
Total Liabilities	(68,958,714)	(34,568,630)	(6,156,574)	(1,273,014)
Total equity of the parent entity comprising of:				
Contributed Equity	271,457,219	128,419,427	88,834,372	15,637,914
Reserves	22,123,341	14,043,621	9,430,119	1,308,596
Accumulated losses	(92,340,002)	(48,752,352)	(16,387,671)	(5,520,763)
Total Equity	201,240,558	93,710,696	81,876,820	11,425,747

Parent entity guarantees in respect of the debts of its subsidiaries
The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its Australian subsidiaries.

Pursuant to Class Order 98/1418, relief has been granted to Galaxy Lithium Australia Limited from the Corporations Act 2001 requirements for the preparation, audit and lodgement of their financial reports. As a condition of the Class Order, Galaxy Resources Limited and Galaxy Lithium Australia Limited ("Closed Group") entered into a Deed of Cross Guarantee on September 19, 2011.

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26. PARENT ENTITY DISCLOSURE (CONTINUED)

Parent entity guarantees in respect of the debts of its subsidiaries (continued)

The effect of this deed is that Galaxy Resources Limited has guaranteed to pay any deficiency in the event of winding up of these controlled entities or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Galaxy Resources Limited is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and the controlled entities which are party to the Deed, after eliminating all transactions between the parties to the Deed of Cross Guarantee, for the year ended December 31, 2011 is set out as follows:

Consolidated Statement of Comprehensive Income

	Year ended December 31, 2011
	$
Revenue	13,813,940
Mine operating expenses	(27,531,697)
Staff costs	(5,948,269)
Share based payments	(8,940,786)
Administration expenses	(17,707,588)
Impairment of mining property, plant and equipment	(42,034,000)
Depreciation and amortisation	(4,445,182)
Loss from operations	**(92,793,582)**
Finance income	5,947,346
Finance costs	(29,329,317)
Net finance costs	**(23,381,971)**
Loss before taxation	**(116,175,553)**
Income tax	734,968
Loss for the year	**(115,440,585)**

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26. PARENT ENTITY DISCLOSURE (CONTINUED)

Consolidated Balance Sheet

	Year ended December 31, 2011
	$
NON-CURRENT ASSETS	
Property, plant and equipment	94,270,510
Exploration and evaluation assets	3,691,375
Available-for-sale financial assets	205,000
Other receivables and prepayments	11,055,964
Investments in subsidiaries	64,373,994
TOTAL NON-CURRENT ASSETS	**173,596,843**
CURRENT ASSETS	
Other receivables and prepayments	14,218,380
Inventories	3,622,347
Cash and cash equivalents	12,521,723
TOTAL CURRENT ASSETS	**30,362,450**
TOTAL ASSETS	**203,959,293**
NON-CURRENT LIABILITIES	
Provisions	1,232,000
Interest bearing liabilities	66,068,191
TOTAL NON-CURRENT LIABILITIES	**67,300,191**
CURRENT LIABILITIES	
Trade and other payables	11,568,204
Provisions	406,183
TOTAL CURRENT LIABILITIES	**11,974,387**
TOTAL LIABILITIES	**79,274,578**
NET ASSETS	**124,684,715**
CAPITAL AND RESERVES	
Share capital	271,457,219
Reserves	12,903,230
Accumulated Losses	(159,675,734)
TOTAL EQUITY	**124,684,715**

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27. COMMITMENTS

a) Capital commitments outstanding as at each balance sheet date not provided for in the Financial Report were as follows:

i) Mining tenements

In order to maintain current rights of tenure to mining tenements, the Group will be required to perform minimum exploration work to meet the minimum expenditure requirements specified by the Western Australia State Government. The estimated exploration expenditure commitment for the ensuing year, but not recognised as a liability in the balance sheet is as follows:

	Year ended December 31, 2011	Year ended December 31, 2010
	$	$
Within one year	613,300	606,180

This expenditure will only be incurred should the Group retain its existing level of interest in its various exploration areas and provided access to mining tenements is not restricted. These obligations will be fulfilled in the normal course of operations, which may include exploration and evaluation activities. Tenure to mining tenements can be released by the Group and returned to the Australian government after one year. The remaining period of mining tenements is optional. As such, the minimum expenditure requirements relating to mining tenements fall within one year.

ii) Construction contract commitments

	Year ended December 31, 2011	Year ended December 31, 2010
	$	$
Contracted for	23,890,278	27,893,048

It includes various capital commitments for property, plant and equipment as at each balance sheet date.

b) As at each balance sheet date, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Year ended December 31, 2011	Year ended December 31, 2010
	$	$
Within one year	397,413	354,639
More than one year but less than five years	135,524	443,163
	532,937	797,802

The Group is the lessee in respect of some properties and items of plant and machinery and office equipment held under operating leases. The leases typically run for an initial period of 3 years, with an option to renew the lease when all terms are terminated. None of the leases includes contingent rentals.

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28. RELATED PARTY TRANSACTIONS
Key management personnel disclosure

a) Directors
The following persons were directors of Galaxy Resources Limited during the period July 1, 2008 to December 31, 2011:
(i) Chairman – non-executive
Craig Readhead
(ii) Executive directors
Michael Fotios – Resigned December 7, 2008
Ignatius Tan - Appointed September 18, 2008
Charles Whitfield – Appointed October 13, 2010
Anthony Tse – Appointed October 13, 2010
(iii) Non- executive directors
Robert Wanless
Kai Cheong Kwan – Appointed October 13, 2010
Ivo Polovineo – Appointed July 20, 2010 - Resigned September 16, 2011
Xiaojian Ren – Appointed October 13, 2010
Yuewen Zheng – Appointed January 7, 2010
Michael Spratt – Appointed February 11, 2011
Shaoqing Wu – Appointed February 24, 2011

b) Other key management personnel
The following persons were also key management personnel of Galaxy Resources Limited during the period July 1, 2008 to December 31, 2011:
John Sobolewski (CFO) – Commenced January 23, 2009
Michael Tamlin (GM China Operations) – Commenced July 15, 2009 - Resigned January 29, 2010
Terry Stark (GM Operations)
Anand Sheth (GM Marketing & Business Development) – Commenced February 2, 2009
Phil Tornatora (Exploration & Geology Manager) – Commenced October 7, 2008
Duncan Coutts (GM Development) – Commenced November 1, 2010 - Resigned September 16, 2011
Jingyuan Liu (GM Development) – Commenced February 15, 2010
Andrew Meloncelli (Company Secretary) – Commenced November 23, 2009

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28. RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel and director transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

Related party	Type of transaction	Note	Year ended December 31, 2011 $	Year ended December 31, 2010 $	Six months ended December 31, 2009 $	Year ended June 30, 2009 $
Allion Legal Pty Ltd	Legal consulting	28(a)	477,670	527,599	154,460	
Creat Resources Holdings Ltd	Commission	28(b)	-	97,658	-	-
Marvel Link Group Limited	Commission	28(c)	-	2,157,970	-	-
Creat Group (HK) Ltd	Interest	28(d)	-	155,179	-	-
David Michael Spratt	Consulting fees	28(e)	64,000	-	-	-
Pullinger Readhead Lucas	Legal consulting	28(f)	-	-	-	99,155
Delta Resource Management Pty Ltd	Consulting fees	28(g)	-	-	-	171,126
R J Wanless	Consulting/ Supervision fees	28(h)	-	-	-	2,150

(a) Allion Legal Pty Ltd is a related party being an entity over which Mr Craig Leslie Readhead has the capacity to exercise significant influence. Mr Readhead was the Chairman of the Company during the year.
(b) Creat Resources Holdings Ltd "CRHL" is a major shareholder of the Company with 11.78% equity interest in the Company. Two Galaxy Directors are also Directors of CRHL, namely Mr Xiaojian Ren and Dr Yuewen Zheng.
(c) Marvel Link Group Limited is a related entity to CRHL and received commission on behalf of CRHL for facilitating the Group obtaining the Senior Loan Facility.
(d) Creat Group (HK) Ltd is related to CRHL and received interest for guaranteeing a Letter of Credit.
(e) David Michael Spratt consulting fees relate to work done on the commissioning of the Jiangsu lithium plant outside of his role as a director.
(f) Legal fees of $99,155 paid or due and payable to Pullinger Readhead Lucas, a firm in which the director has substantial financial interest, for services provided in the normal course of business and at normal commercial rates.
(g) Consulting fees and provision of office facilities of $171,126 paid or due and payable to Delta Resource Management Pty Ltd, a company in which Mr. Fotios has a substantial financial interest for services provided in the normal course of business and at normal commercial rates.
(h) Consulting/supervising fees of $2,150 paid or due and payable to companies in which the director has a substantial financial interest, for services provided in the normal course of business and at normal commercial rates.

The directors of the Company are of the opinion that the above related party transactions were conducted on terms no less favourable to the Group than terms available to or from independent third parties, and in the ordinary course of business.

Apart from the amounts due to Allion Legal Pty Ltd as at December 31, 2010 and December 31, 2011 as disclosed in note 20, there were no outstanding balances relating to the above transactions at each balance sheet date.

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28. RELATED PARTY TRANSACTIONS (CONTINUED)
Key management personnel remuneration

The total remuneration of each of the directors and key management personnel and specified executives of Galaxy Resources Limited are set out in the following table:

	Year ended December 31, 2011	Year ended December 31, 2010	Six months ended December 31, 2009	Year ended June 30, 2009
	$	$	$	$
Chairman				
CL Readhead	659,689	553,256	881,428	195,195
Executive Directors				
I KS Tan	2,899,316	2,312,583	2,937,659	414,435
MG Fotios[1]	-	-	-	171,126
AP Tse	506,139	270,207	-	-
CBF Whitfield	506,139	270,207	-	-
Non-Executive Directors				
RJ Wanless	514,363	419,386	716,718	174,945
KC Kwan	273,252	218,593	-	-
IJ Polovineo[3]	(152,675)[4]	228,971	-	-
X Ren	273,252	218,756	-	-
Y Zheng	374,879	365,308	-	-
M Spratt	260,257	-	-	-
S Wu	187,961	-	-	-
I KS Tan[6]	-	-	-	5,889
Key Management Personnel				
JA Sobolewski	475,391	454,239	791,248	196,744
TA Stark	578,750	530,539	813,320	483,060
AM Sheth	541,278	487,771	801,890	200,426
PM Tornatora	376,930	352,589	801,890	231,901
M Tamlin[2]	-	-	2,129,613	-
AL Meloncelli	946,087	939,666	18,866	-
DJ Coutts[5]	42,998	248,815	-	-
J Liu	319,556	-	-	-

1 Mr Fotios resigned as Managing Director of the Company and was appointed as a non-executive director on November 11, 2008 and subsequently resigned as a non-executive director on December 7, 2008.
2 Resigned January 29, 2010.
3 Resigned September 16, 2011.
4 Options previously expensed were forfeited on resignation.
5 Resigned September 16, 2011.
6 Mr Tan was appointed as a non-executive director on September 18, 2008 and subsequently appointed as Managing Director on November 11, 2008.

Total remuneration for key management personnel of the Group, including amounts paid to the Company's directors and other key management personnel as disclosed in note 9 and certain of the highest paid employees as disclosed in note 9, is as follows:

	Year ended December 31, 2011	Year ended December 31, 2010	Six months ended December 31, 2009	Year ended June 30, 2009
	$	$	$	$
Salaries and other short-term benefits	3,954,375	2,118,950	896,031	989,908
Contributions to retirement benefit schemes	252,815	158,577	62,647	145,529
Share-based payments	5,376,372	5,593,359	8,934,134	1,049,049
	9,583,562	7,870,886	9,892,632	2,184,486

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28. RELATED PARTY TRANSACTIONS (CONTINUED)
Key management personnel remuneration (continued)

Total remuneration is included in Staff costs (see note 6(b)).

The following list contains the particulars of all of the subsidiaries of the Company. The issue of shares held is ordinary.

Name of company	Place of incorporation/ establishment and operation	Type of legal entity	Particulars of issued/registered/ paid up capital	Proportion of ownership interest as at December 31, 2011	Proportion of ownership interest as at December 31, 2010	Principal activity
Galaxy Lithium Australia Limited	Australia	Limited company	1 share of $1 each	100%	100%	Mining of Mt Cattlin spodumene
Galaxy Lithium Pty Ltd *	Australia	Limited company	1 share of $1 each	100%	N/A	Dormant
Galaxy Lithium International Limited	Hong Kong	Limited company	474,548,500 shares of HK$1 each	100%	100%	Investment holding company
Galaxy Lithium (Jiangsu) Co., Limited	The PRC	Limited company	US$50 million	100%	100%	Operations of Jiangsu lithium carbonate plant
Galaxy Lithium (Canada) Incorporated **	Canada (Quebec)	Limited company	3,500,100 shares of C$1 each	100%	N/A	Exploration of James Bay spodumene deposits
Galaxy Lithium Holdings BV ***	The Netherlands	Limited company	2,593,500 shares of €1 each	100%	N/A	Investment holding company
Galaxy Lithium (US) Incorporated ****	United States (Delaware)	Limited company	100 shares of USD$0.01 each	100%	N/A	Investment holding company

* Galaxy Lithium Pty Ltd was incorporated in Australia on September 15, 2011.
** Galaxy Lithium (Canada) Incorporated in Canada on January 18, 2011.
*** Galaxy Lithium Holdings BV was incorporated in the Netherlands on January 27, 2011.
**** Galaxy Lithium (US) Incorporated in United States on January 21, 2011.

Investments in subsidiaries

Company	Year ended December 31, 2011 $	Year ended December 31, 2010 $
Unlisted share - at cost	1	1

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29. NON-ADJUSTING POST BALANCE SHEET EVENTS

Subsequent to December 31, 2011 and up to the date of this report, the following event has occurred:

- On February 13, 2012, 8,550,000 ESOP options were issued. These options were exercisable at $1.16.
- On March 30, 2012 the Company announced an agreement was entered into to effect a proposed merger of Galaxy and Canadian lithium and potash exploration and development company Lithium One Inc., that valued Lithium One at approximately C$112 million (A$108 million). The exchange ratio for the proposed merger is 1.96 Galaxy shares for each Lithium One share, valuing Lithium One at approximately C$1.55 per share.
- In March 2012, the Company entered into a RMB 84 million unsecured working capital facility with Shanghai Pudong Development Bank. The facility has a term of three years and a floating interest rate (currently 6.65% per annum), payable quarterly.
- In April 2012, the Company entered into a RMB 182 million unsecured fixed asset facility with Industrial and Commercial Bank of China. The facility has a term of five years and a floating interest rate (currently 6.90% per annum), payable monthly.
- On April 23 and 24, 2012 the Company issued of 37,531,793 million new, fully paid shares at a price of A$0.77 per share for a total of A$28.9 million. $1.1 million of the raising is subject to shareholder approval which will be sought at the AGM on May 23, 2012 ($0.5 million to Chairman Craig Readhead). Approval will also be sought at an EGM in early June 2012 ($0.6 million to Azure Capital Limited and Paradigm Capital Inc. for providing corporate advisory services to Galaxy in connection with the proposed merger).
- On May 1, 2012 the Company issued 2.92 million shares at A$0.77 per share for a total of $2.25m (before costs) via a Share Purchase Plan.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

30. FINANCIAL RISK MANAGEMENT

The Group have exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and quantitative disclosures.

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management is responsible for establishing procedures which provide assurance that major business risks are identified, consistently assessed and appropriately mitigated. The Group has developed a framework for a risk management policy and internal compliance and control system which covers organisation, financial and operational aspects of the Group's activities.

The Group's audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

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30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk

Credit risk is the risk of financial loss to the Group if counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents and available-for-sale financial assets. Other receivables predominantly relates to GST receivable from the Australian federal government. Management do not consider this receivable balance is subject to any material credit risk.

The Group limit their exposure to credit risk by only investing in liquid securities and only with counterparties and financial institutions that have credit ratings of between A2 and A1+ from Standard & Poor's and A from Moody's, with more weighting given to investments in the higher credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

The Group's cash and cash equivalents are placed with various financial institutions consistent with sound credit ratings, and management consider the Group's exposure to credit risk is low.

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Impairment

As at December 31, 2011, the Group's available-for-sale financial assets were individually determined to be impaired on the basis of a material decline in their fair value below cost. Adverse changes in the market in which these investees operated indicated that the cost of the Group's investment in them may not be recovered.

As such, an impairment loss of $245,000 was recognised in profit or loss, which represented the excess of original cost over the fair value in accordance with the policy set out in note 3(e).

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

	Note	Carrying amount	
		2011	2010
Financial assets classified as available for sale	16	205,000	600,000
Other receivables		11,969,573	3,767,246
Cash and cash equivalents	18	17,996,933	27,509,567
Restricted cash deposits	19	-	48,054,753
		30,171,506	**79,931,566**

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30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputations.

The following are the undiscounted contractual maturities of financial liabilities, including estimated interest payments:

December 31, 2011

	Carrying amount $	Undiscounted contractual cash outflows $	Within 1 year or on demand $	More than 1 year but less than 2 years $	More than 2 years but less than 5 years $	More than 5 years $
Other payables	26,980,506	26,980,506	26,980,506	-	-	-
Unsecured bank loan	33,499,404	37,770,283	5,908,551	13,616,425	18,245,306	-
Convertible bonds	66,068,191	78,720,000	4,920,000	4,920,000	68,880,000	-
	126,548,101	143,470,789	37,809,057	18,536,425	87,125,306	-

December 31, 2010

	Carrying amount $	Undiscounted contractual cash outflows $	Within 1 year or on demand $	More than 1 year but less than 2 years $	More than 2 years but less than 5 years $	More than 5 years $
Other payables	12,123,127	12,123,127	12,123,127	-	-	-
Secured bank loan	91,078,868	122,572,605	7,324,994	25,141,028	69,148,567	20,958,016
Convertible bonds	32,000,000	44,800,000	2,560,000	2,560,000	39,680,000	-
Bank loan – letter of credit	7,636,968	7,764,592	7,764,592	-	-	-
	142,838,963	187,260,324	29,772,713	27,701,028	108,828,567	20,958,016

Typically the Group ensures that it has sufficient cash and cash equivalents to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(c) Foreign exchange risk

The Group is exposed to currency risk on purchases of property, plant and equipment and on borrowings that are denominated in a currency other than the respective functional currencies of the Company or its subsidiaries. The currencies in which these transactions primarily are denominated are USD, HKD and RMB.

At any point in time the Group may monitor and manage its estimated foreign currency exposure in respect of cash and cash equivalents, other receivables and interest bearing liabilities. The Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currency at spot rates where necessary to address short-term imbalances.

The Group's exposure to foreign currency risk at each balance date was as follows. For presentation purposes, the amounts of the exposure are shown in Australian dollars translated using the spot rate at each balance sheet date.

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30. FINANCIAL RISK MANAGEMENT (CONTINUED)
(c) Foreign exchange risk (continued)

	December 31, 2011					December 31, 2010		
	USD	**HKD**	**RMB**	**CAD**	**Euro**	**USD**	**HKD**	**RMB**
Cash and cash equivalents	4,943,958	316,406	160,085	28,253	6,231	17,148,881	16,796	28,981
Restricted cash deposit	-	-	-	-	-	48,054,753	-	-
Other receivables	3,971	-	8,642,038	96,460	-	-	-	1,723,936
Interest bearing liabilities	-	-	(33,499,404)	-	-	(98,715,837)	-	-
Balance sheet exposure	4,947,929	316,406	(24,697,281)	124,713	6,231	(33,512,203)	16,796	1,752,917

The following significant exchange rates applied:

	Average rate		Reporting date spot rate	
AUD	**2011**	**2010**	**2011**	**2010**
US 1	0.968	1.088	0.964	0.984
euro 1	1.348	N/A	1.273	N/A
CAD 1	0.979	N/A	0.983	N/A
CNY 1	0.150	0.161	0.155	0.149
HKD 1	0.124	0.140	0.127	0.126

Sensitivity analysis
A 10% strengthening of the Australian dollar against the following currencies would have (increased)/decreased equity and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Year ended December 31, 2011		Year ended December 31, 2010		Six months ended December 31, 2009		Year ended June 30, 2009	
Effect in Australian dollars	**Equity**	**Loss for the period**	**Equity**	**Loss for the period**	**Equity**	**Loss for the period**	**Equity**	**Loss for the period**
USD	(494,793)	(494,793)	3,351,220	3,351,220	120,025	120,025	-	-
HKD	(31,641)	(31,641)	(1,680)	(1,680)	-	-	-	-
RMB	-	-	(175,292)	(175,292)	-	-	-	-

A 10% weakening of the Australian dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(d) Interest rate risk
The Group may monitor and manage its interest rate exposure on future borrowings. The Group's main interest rate risk arises from cash at bank and interest bearing liabilities, which are held at a variable rates that expose the Group to cash flow interest rate risk.

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30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk (continued)

The Group's interest-bearing cash at bank and liabilities and the respective interest rates as at each balance sheet date are set as below:

	Year ended December 31, 2011	Year ended December 31, 2010
Cash and cash equivalents	17,996,933	27,509,567
- Interest rate	0% to 4%	0% to 5%
Interest bearing liabilities	99,567,595	130,715,836
- Interest rate	6.4% to 8%	SIBOR + 4.5% to 8%

Sensitivity Analysis

A general increase/decrease of 100 basis points in interest rates of variable rate instruments prevailing at each balance sheet dates, with all other variables held constant, would increase/(decrease) the Group's loss after tax and equity by the amounts shown below:

	Year Ended December 31, 2011	Year Ended December 31, 2010
Increase of 100 basis points	155,025	712,063
Decrease of 100 basis points	(155,025)	(712,063)

(e) Equity Price Risk

Equity price risks arise from available-for-sale financial assets. Both during and at the end of the years, movements in the fair value of this investment do not have a significant impact on the Group's financial position and performance.

(f) Fair value hierarchy

Financial instruments carried at fair value.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability are set out in note 22(d).

	December 31, 2011		December 31, 2010	
	Level 1	Level 3	Level 1	Level 3
Available-for-sale financial assets	205,000	-	600,000	-
Financial liabilities at fair value through the profit and loss	-	66,068,191	-	32,000,000

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	Financial liabilities at fair value through the profit and loss 2011	Financial liabilities at fair value through the profit and loss 2010
Balance at January 1, 2011	32,000,000	-
Additions: CB tranches issued	29,500,000	32,000,000
Valuation adjustments recognised in profit or loss	4,568,191	-
Balance at December 31, 2011	**66,068,191**	**32,000,000**

(g) Fair values of financial instruments carried at other than fair value

All of the other financial assets and liabilities are carried at amounts that are not materially different from their fair values.

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31. ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and assumptions

(i) Ore reserves

Economically recoverable ore reserves represent the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions. The Group determines and reports ore reserves under the standards incorporated in the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves, 2004 edition (the JORC Code). The determination of ore reserves includes estimates and assumptions about a range of geological, technical and economic factors, including: quantities, grades, productions techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Changes in ore reserves impact the assessment of recoverability of exploration and evaluation assets, property, plant and equipment, the carrying amount of assets depreciated on a units of production basis, provision for site restoration and the recognition of deferred tax assets, including tax losses.

(ii) Exploration and evaluation assets

Determining the recoverability of exploration and evaluation assets capitalised in accordance with the Group's accounting policy (see note 3(c)) requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploration, or alternatively sale, of the respective areas of interest will be achieved. Critical to this assessment is estimates and assumptions as to ore reserves (see note 31(b)(i) above), the timing of expected cash flows, exchange rates, commodity prices and future capital requirements. Changes in these estimates and assumptions as new information about the presence or recoverability of an ore reserve becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after having capitalised the expenditure under the accounting policies, a judgment is made that the recovery of the expenditure is unlikely, an impairment loss is recorded in the profit or loss in accordance with accounting policy (see note 3(e)).

(iii) Site restoration liability

Determining the cost of rehabilitation, decommissioning and restoration of the area disturbed during mining activities in accordance with the Group's accounting policy (see note 3(k)), requires the use of significant estimates and assumptions, including: the appropriate rate at which to discount the liability, the timing of the cash flows and expected life of the relevant area of interest, the application of relevant environmental legislation, and the future expected costs of rehabilitation, decommissioning and restoration.

Changes in the estimates and assumptions used to determine the cost of rehabilitation, decommissioning and restoration could have a material impact on the carrying value of the site restoration provision and related asset. The provision recognised for each site is reviewed at each reporting date and updated based on the facts and circumstances available at the time.

(iv) Impairment of assets

The recoverable amount of each non financial asset or CGU is determined as the higher of the value-in-use and fair value less costs to sell, in accordance with the Group's accounting policies (see note 3(e)). Determination of the recoverable amount of an asset or CGU based on a discounted cash flow model, requires the use of estimates and assumptions, including: the appropriate rate at which to discount the cash flows, the timing of cash flow and expected life of the relevant area of interest, exchange rates, commodity prices, ore reserves, future capital requirements and future operating performance.

Changes in these estimates and assumptions impact the recoverable amount of the asset or CGU, and accordingly could result in an adjustment to the carrying amount of that asset or CGU.

(v) Share based payments

The fair value of employee share options is measured using Black & Scholes and Monte-Carlo simulation. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, the risk-free interest rate (based on government bonds) and probability applied to the non-vesting conditions (based on management's judgement formed in consideration of all the available facts and circumstances).

Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. Any different estimates and assumptions affecting the measurement inputs would have resulted in different grant date fair values, which would have changed equity settled share-based payments expense. The share based payment expense relating to tranches K and L options is dependent on Management's estimation of the probability and timing of a Hong Kong listing proceeding, which is a non-market performance condition (refer note 23 for details).

31. ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimates and assumptions (continued)

(v) Share based payments (continued)

Subsequent changes to this estimate could have a significant effect on share based payment expense and the associated equity-settled payments reserve.

(vi) Valuation of Convertible Bonds

The fair value of the Convertible Bonds is determined by valuing the bond component based on discounted cash flows and using accepted option valuation models to value the issuer's right to convert. The fair value of the Convertible Bonds is determined by valuing the bond component based on discounted cash flows and using accepted option valuation models to value the combined impact of the holder's right to convert and the issuer's right to force conversion under certain hurdle conditions as set out in note 22(d).

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To the Board of Directors
Galaxy Resources Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Galaxy Resources Limited ("the Company"), which comprise the consolidated statement of financial position as at December 31, 2011 and December 31, 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, the six month period ended December 31, 2009, the year ended June 30, 2009, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG, an Australian partnership and a member firm of the KPMG network
of independent member firms affiliated with KPMG International, a Swiss cooperative.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of the Company as at December 31, 2011 and December 31, 2010, and of its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010, the six month period ended December 31, 2009 and the year ended June 30, 2009 in accordance with International Financial Reporting Standards.

KPMG

Perth, Australia

11th May 2012

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Unaudited Canco Balance Sheet

Galaxy Lithium One Inc.
Unaudited Balance Sheet
As at March 26, 2012
In Canadian dollars

	Note	March 26, 2012 (C$)	March 26, 2011 (C$)
CURRENT ASSET			
Receivable from Parent Company		100	-
TOTAL CURRENT ASSET		**100**	-
TOTAL ASSET		**100**	-
CAPITAL			
Share capital	5	100	-
TOTAL EQUITY		**100**	-

The accompanying notes form an integral part of the Unaudited Balance Sheet.

Approved on behalf of the board:

Managing Director
"Iggy Tan"



Chief Financial Officer
"John Sobolewski"



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Galaxy Lithium One Inc.
Notes to Financial Statement

1. Incorporation and basis of presentation

9260-7225 Quebec Inc. ("Canco") was incorporated pursuant to the Canada Business Corporations Act on March 26, 2012. Effective March 28, 2012, Canco changed its name to Galaxy Lithium One Inc. ("GLOI"). GLOI, a wholly-owned subsidiary of Galaxy Resources Ltd (the "Parent Company"), has not carried on active business since incorporation. Parent Company, on behalf of GLOI, has incurred standard costs of incorporation and capitalization of GLOI. The costs have not been pushed down in the opening balance sheet of GLOI. This financial statement has been prepared in accordance with International Financial Reporting Standards ("IFRS").

Pursuant to an arrangement agreement dated March 30, 2012, GLOI, with support of the Parent Company, will acquire all of the issued and outstanding shares of Lithium One Inc. ("Lithium One") via a plan of arrangement ("Arrangement"). The Arrangement is subject to, among other conditions, approval of the shareholders of the Parent Company and Lithium One, court approval of the Arrangement, and regulatory approval.

The unaudited balance sheet reflects the assets of GLOI as at the date of incorporation, March 26, 2012. A statement of operations and comprehensive loss has not been provided as GLOI had no operations during the period.

2. Nature of operations and going concern

GLOI is a Quebec-based company that was incorporated to facilitate the acquisition of Lithium One by the Parent Company, as contemplated by the Arrangement.

At March 26, 2012, GLOI had $100 receivable from the Parent Company. After completing the Arrangement, GLOI will have no source of operating cash flows and no significant operations, and will have no requirement for investment. All funding for GLOI will be provided by the Parent Company.

These financial statements were approved on behalf of the Board by the President, Ignatius Tan and the Chief Financial Officer, John Sobolewski on May 11, 2012.

3. Significant accounting policies

International Financial Reporting Standards
These financial statements have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(i) Basis of Preparation
These financial statements have been prepared on a historical cost basis.

(ii) Financial instruments
GLOI classifies its cash as fair value through profit and loss. Cash is carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations.

(iii) Loss per share
As GLOI has no operations and one hundred common shares outstanding, loss per share information has not been provided.

(*v) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by GLOI*

Standards issued but not yet effective to the date of issuance of GLOI's financial statements will not impact on GLOI's financial statements.

4. Capital management

GLOI will have minimal capital until the transactions contemplated in the Arrangement are completed (note 1).

The capital of GLOI consists of Shareholder's Equity. GLOI's objectives when managing capital are to safeguard GLOI's ability to continue as a going concern in order to maintain optimal returns to shareholders and benefits for other stakeholders.

GLOI manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets in order to have the funds available.

5. Shareholder's equity

i. Authorised

GLOI is authorised to issue an unlimited number of voting common shares. The common shares are without nominal or par value.

ii. Issued

	Number of shares	Share capital
	#	$C
Common shares		
Issued on initial organisation on March 26, 2012	100	100

6. Subsequent event

On March 30, 2012, the Parent Company announced it had entered into an arrangement agreement to effect a merger with Lithium One via the Arrangement. The Arrangement has been approved by the Boards of Directors of Lithium One, the Parent Company and GLOI and is subject to, among other conditions, approval of the shareholders of the Parent Company and Lithium One, court approval of the Arrangement, and regulatory approval.

Under the Arrangement, each Lithium One shareholder will be entitled to receive 1.96 ordinary shares of the Parent Company (the "Galaxy Shares") for each Lithium One common share held. Each optionholder will be entitled to receive, in respect of each Lithium One option, that number of Galaxy Shares equal to the product determined by multiplying 1.96 by the quotient of the positive difference between $1.55 and the exercise price of such Lithium One option divided by $1.55. Each Noteholder will receive a convertible note in the Parent Company in exchange for each issued and outstanding Lithium One convertible note held.

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APPENDIX D
FORM OF ARRANGEMENT RESOLUTION

RESOLUTION OF THE SECURITYHOLDERS — ARRANGEMENT RESOLUTION

RESOLVED THAT:

1. The arrangement (the "Arrangement") under Section 182 of the *Business Corporations Act* (Ontario) (the "OBCA") involving Lithium One Inc. (the "Corporation"), pursuant to the arrangement agreement (the "Arrangement Agreement") between the Corporation, Galaxy Resources Limited ("Galaxy") and Galaxy Lithium One Inc., made as of March 29, 2012, as amended on May 4, 2012, all as more particularly described and set forth in the management proxy circular (the "Circular") of the Corporation dated May 11, 2012, accompanying the notice of this meeting (as the Arrangement may be, or may have been, modified or amended), is approved.

2. The plan of arrangement (the "Plan of Arrangement") involving the Corporation and implementing the Arrangement, the full text of which is set out in Schedule B of the Arrangement Agreement (as the Plan of Arrangement may be, or may have been, modified or amended), is approved.

3. Notwithstanding that this resolution has been passed (and the Arrangement adopted) by the securityholders of the Corporation, or that the Arrangement has been approved by the Court (as defined in the Circular), the directors of the Corporation are authorized without further notice to, or approval of, the securityholders of the Corporation (i) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement or the Plan of Arrangement, or (ii) not to proceed with the Arrangement.

4. Any officer or director of the Corporation is authorized to execute articles of arrangement and such other documents as are necessary or desirable and deliver same to the Director under the OBCA in accordance with the Arrangement Agreement for filing.

5. Any officer or director of the Corporation is authorized to execute and deliver all other documents and do all acts or things as may be necessary or desirable to give effect to this resolution.

APPENDIX E
ARRANGEMENT AGREEMENT AS AMENDED

See attached.

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GALAXY RESOURCES LIMITED

-AND-

GALAXY LITHIUM ONE INC.

-AND-

LITHIUM ONE INC.

ARRANGEMENT AGREEMENT

March 29, 2012

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ARRANGEMENT AGREEMENT

THIS AGREEMENT is made this 29th day of March, 2012.

BETWEEN:

Lithium One Inc., a corporation incorporated under the laws of Ontario,

("**Target**")

OF THE FIRST PART

– and –

Galaxy Lithium One Inc., a corporation incorporated under the laws of Quebec,

("**Canco**")

OF THE SECOND PART

– and –

Galaxy Resources Limited, a corporation incorporated under the laws of Australia,

("**Acquireco**")

OF THE THIRD PART

WHEREAS:

A. The authorized capital of Target consists of an unlimited number of common shares, of which 70,359,243 Target Shares were issued and outstanding as of the close of business on March 29, 2012, as fully paid and non-assessable;

B. Canco proposes to acquire all of the Target Shares and Target Convertible Notes pursuant to the Arrangement as provided for in this agreement for the consideration contemplated herein;

C. Certain Acquireco Shareholders have undertaken to vote the Acquireco Shares held by them in favour of the Transactions subject to the terms of the Acquireco Voting Support Agreements;

D. Certain Target Shareholders have agreed to vote their securities of Target in favour of the Transactions and certain Target Noteholders have agreed to vote the principal amount of their Target Convertible Notes in favour of the Transactions, subject in each case to the terms of the Target Voting Support Agreements;

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E. The board of directors of Target, after receiving the Fairness Opinion and legal advice and after considering other factors, has unanimously determined that it is in the best interests of Target to enter into this agreement, to support and implement the Transactions and for the board of directors of Target to recommend that Target Shareholders vote in favour of the Arrangement.

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NOW THEREFORE in consideration of the mutual covenants set out in this agreement and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Target, Acquireco and Canco agree that:

1. The Transaction and its Announcement

A. Process Regarding Target.

Subject to the terms and conditions of this agreement:

(a) subject to compliance by Acquireco with its agreements and covenants in Section 1.B, as soon as practicable after the execution of this agreement, and in any event before 30 July, 2012, Target shall, in a manner acceptable to Acquireco, acting reasonably, apply to the Court pursuant to Section 182 of the Act for the Interim Order;

(b) provided the Interim Order has been obtained, Target shall, in a manner acceptable to Acquireco, acting reasonably, and subject to Acquireco's agreements and covenants in Section 1.B, hold the Target Special Meeting as soon as reasonably practicable after the Interim Order has been obtained, and in any event before 16 August, 2012, and, in connection with the Target Special Meeting, ensure that the Target Circular contains all information necessary to permit Target Securityholders to make an informed judgement about the Arrangement;

(c) after having called the Target Special Meeting, Target shall not, without the prior consent of Acquireco, adjourn, postpone or cancel the Target Special Meeting, except as may be required by Law or the rules of the TSX-V or except as otherwise permitted in this agreement;

(d) Target shall, subject to the prior review and written approval of Acquireco, and subject to Acquireco's agreements and covenants in Section 1.B, prepare, file and distribute the Target Circular and such other documents (including documents required by the TSX-V and the Securities Commissions or applicable Law) as may be necessary or desirable to permit Target Securityholders to vote on the Arrangement;

(e) provided the Arrangement is approved at the Target Special Meeting as set out in the Interim Order, as soon as reasonably practicable thereafter at a time determined with Acquireco, Target shall forthwith, in a manner acceptable to Acquireco, acting reasonably, take the necessary steps to submit the Arrangement to the Court and apply for the Final Order in such manner as the Court may direct;

(f) provided the Final Order is obtained and the conditions set out in Section 2 have been satisfied or waived, Target shall send to the Director, for endorsement and filing by the Director, articles of arrangement and such other documents as may be required under the OBCA to give effect to the Arrangement; and

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(g) provided the Final Order is obtained and the conditions set out in Section 2 have been satisfied or waived, the Support Agreement and the Voting and Exchange Trust Agreement shall be executed.

B. Target Circular.

Target shall prepare the Target Circular (including supplements or amendments thereto) and cause the Target Circular (including supplements or amendments thereto) to be distributed in accordance with applicable Law. In preparing the Target Circular, Target shall provide Acquireco with a reasonable opportunity to review and comment on the Target Circular and, other than with respect to the Acquireco Information for which Acquireco shall be solely responsible, Target shall consider all such comments, provided that whether or not any comments are accepted or appropriate shall be determined by the board of directors of Target in their discretion, acting reasonably. In a timely and expeditious manner so as to permit Target to comply with its obligations in Section 1.A(a) and Section 1.A(b), Acquireco shall promptly furnish to Target all Acquireco Information. Each of Target and Acquireco shall:

(a) ensure that all information provided by it or on its behalf that is contained in the Target Circular does not contain any misrepresentation or any untrue statement of a material fact or omit to state a material fact required to be stated in the Target Circular that is necessary to make any statement that it contains not misleading in light of the circumstances in which it is made; and

(b) promptly notify the other if, at any time before the Effective Time, it becomes aware that the Target Circular, any document delivered to the Court in connection with the application for the Interim Order or Final Order or delivered to Target Securityholders in connection with the Target Special Meeting or any other document contemplated by Section 1.A contains a misrepresentation, an untrue statement of material fact, omits to state a material fact required to be stated in those documents that is necessary to make any statement it contains not misleading in light of the circumstances in which it is made or that otherwise requires an amendment or a supplement to those documents.

All Acquireco Information shall comply in all material respects with all applicable Laws and shall contain full, true and plain disclosure of all material facts relating to the securities of Acquireco and Canco to be issued in connection with this agreement, including under the Plan of Arrangement. Acquireco shall indemnify and hold harmless Target and each of the Indemnified Persons to the extent that the Acquireco Information contains or is alleged to contain any misrepresentation (as defined under applicable securities Laws) and/or does not contain full, true and plain disclosure of all material facts relating to the securities of Acquireco or Canco to be issued in connection with this agreement, including under the Plan of Arrangement.

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C. Process Regarding Acquireco.

Subject to the terms and conditions of this Agreement:

(a) Acquireco shall take all action necessary in accordance with all applicable Laws to duly call, give notice of, convene and hold the Acquireco Special Meeting as promptly as practical, and in any event not later than August 16, 2012;

(b) Acquireco shall solicit proxies of Acquireco Shareholders' in favour of the Transactions;

(c) after having called the Acquireco Special Meeting, Acquireco shall not, without the prior consent of Target, adjourn, postpone or cancel the Acquireco Special Meeting, except as may be required by Law or the rules of the ASX or except as otherwise permitted in this agreement; and

(d) Acquireco shall, subject to prior review and written approval of Target prepare, file and distribute its notice of meeting and proxy circular and such other documents (including documents required by the ASX or applicable Laws) as may be necessary or desirable to permit Acquireco Shareholders to vote on the Transactions.

D. Acquireco Circular.

Acquireco shall prepare a notice of meeting and proxy circular, or such other equivalent documents required by applicable Laws and the rules of the ASX, (including supplements or amendments thereto) (the "**Acquireco Circular**") and cause the Acquireco Circular to be distributed in accordance with applicable Law. Acquireco shall provide Target with a reasonable opportunity to review and comment on the Acquireco Circular. Acquireco shall consider all comments, provided that whether or not such comments are accepted or appropriate shall be determined by the board of directors of Acquireco in their discretion, acting reasonably.

E. Public Announcements.

Immediately after the execution of this agreement, each Principal Party shall issue a public announcement, announcing the entering into of this agreement and the Transactions. The content and timing of each Principal Party's announcement shall be approved by the other Principal Party acting reasonably.

2. Conditions to the Arrangement

A. Mutual Conditions.

The respective obligations of the parties to complete the Arrangement shall be subject to the fulfilment, or the waiver by each of them, on or before the Outside Date, of the conditions set forth in Schedule C, each of which may be waived by mutual consent of the parties, in whole or in part. For greater certainty, the conditions set forth in Schedule

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C are inserted for the benefit of each of the parties to this agreement and may be waived by mutual consent of Target and Acquireco (for itself and on behalf of Canco), in whole or in part, in their sole discretion.

B. Conditions in Favour of Target.

The obligations of Target to complete the Arrangement shall be subject to the fulfilment, or the waiver by Target, on or before the Outside Date, of the conditions set forth in Schedule D, each of which is for the exclusive benefit of Target and may be waived by Target alone, at any time, in whole or in part, in its sole discretion.

C. Conditions in Favour of Acquireco and Canco.

The obligations of each of Acquireco and Canco to complete the Arrangement shall be subject to the fulfilment, or the waiver by Acquireco (for itself and on behalf of Canco), on or before the Outside Date, of the conditions set out in Schedule E, each of which is for the exclusive benefit of Acquireco and Canco and may be waived by Acquireco (for itself and on behalf of Canco) alone, at any time, in whole or in part, in its sole discretion.

D. Satisfaction, Waiver and Release of Conditions.

Upon the issuance of a certificate of arrangement in respect of the Arrangement by the Director in accordance with the Final Order and the OBCA, the conditions provided for in this section shall be deemed conclusively to have been satisfied, fulfilled, waived or released.

E. Use of reasonable endeavours

Each party must use its reasonable endeavours to satisfy, assist the other to satisfy, or procure satisfaction of (as applicable) each condition set forth in Schedule C, on or before the Outside Date. Each party must promptly notify the other party when it learns that any such condition is satisfied or that it cannot be satisfied. Each party must promptly keep the other party reasonably informed of any developments relevant to the satisfaction, waiver or otherwise of any such condition.

3. Representations and Warranties

A. Representations and Warranties of Target.

Target represents and warrants to Acquireco and Canco as to those matters set forth in Schedule F (and acknowledges that Acquireco and Canco are relying on such representations and warranties in entering into this agreement and completing the Transactions).

B. Representations and Warranties of Acquireco and Canco.

Acquireco and Canco jointly and severally represent and warrant to Target as to those matters set forth in Schedule G (and acknowledge that Target is relying on such

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representations and warranties in entering into this agreement and completing the Transactions).

C. Survival of Representations, Warranties and Covenants.

The representations, warranties and covenants of Target and Acquireco and Canco contained in this agreement or in any instrument delivered pursuant to this agreement shall merge upon, and shall not survive, the Effective Date; provided that this Section 3.C shall not limit any covenant or agreement of the parties, which by its terms contemplates performance after the Effective Time.

4. Implementation

A. General.

The Transactions are intended, subject to the terms and conditions hereof and thereof, to result in, among other things, Acquireco acquiring all Target Shares outstanding immediately prior to the Effective Time as provided below and as set out in greater detail in the Plan of Arrangement each issued and outstanding Target Share held by a Target Shareholder (and other than Target Shares held by Acquireco or an affiliate or Dissenting Shareholders) shall be exchanged with Canco for Acquireco Share Consideration or Exchangeable Share Consideration in accordance with the election or deemed election of such Target Shareholder pursuant to Section 2.3 of the Plan of Arrangement.

A1. Subject to the provisions of the Plan of Arrangement, Canco shall execute joint elections under subsection 85(1) or 85(2) of the ITA or any equivalent provincial legislation with Target Shareholders who are Eligible Holders (as defined in the Plan of Arrangement) and who are entitled to receive Exchangeable Shares under the Arrangement, subject to and in accordance with the Plan of Arrangement. In addition, each of Target, Acquireco and Canco shall (and shall cause its Subsidiaries to) use all commercially reasonable efforts to satisfy each of the conditions precedent to be satisfied by it, as soon as practical and in any event before the Outside Date, and to take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable to permit the completion of the Transactions in accordance with the Arrangement, this agreement, the agreements that it contemplates and applicable Law, and to cooperate with each other in connection therewith (provided, however, that, with respect to Canadian provincial or territorial qualifications, neither Acquireco nor Canco shall be required to register or qualify as a foreign corporation or to take any action that would subject it to service of process in any jurisdiction where it is not now so subject, except as to matters and transactions arising solely from the issuance of the Exchangeable Shares and the Acquireco Shares), including using all commercially reasonable efforts to:

(a) provide notice to, and obtain all waivers, consents, permits, licenses, authorizations, orders, approvals and releases necessary or desirable to complete the Transactions from, Agencies and other persons, including parties to agreements, understandings or other documents to which each of Target and Acquireco (and its respective Subsidiaries) is a party or by which it or its

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properties are bound or affected (including loan agreements, shareholder agreements, leases, pledges, guarantees and security), the failure of which to provide or obtain would prevent the completion of the Arrangement or which, individually or in the aggregate, would reasonably be expected to be Materially Adverse to either Target or Acquireco and their respective Subsidiaries, in each case taken as a whole;

(b) obtain the Interim Order and the approval of Target Securityholders at the Target Special Meeting at the earliest practicable date, as specified in the Interim Order and the Final Order;

(c) effect or cause to be effected all registrations and filings and submissions of information necessary or desirable to complete the Transactions or requested of it by Agencies, the failure of which to obtain would reasonably be expected to prevent the completion of the Transactions or would reasonably be expected to be Materially Adverse to either Target or Acquireco and their respective Subsidiaries, in each case taken as a whole; and

(d) keep the other reasonably informed as to the status of the proceedings related to obtaining the Regulatory Approvals, including providing the other with copies of all related applications and notifications.

B. Stock Options, Notes and Target Compensation Warrants.

(a) Subject to receipt of all appropriate regulatory approvals, the holders of Target Options which have an exercise price of less than $1.55, shall receive, in respect of each such Target Option a fraction of a Target Share, with such fraction being calculated according the formula the numerator of which shall be equal to the difference between C$1.55 and the exercise price for such Target Option and the denominator of which shall be equal to C$1.55; provided, however, that if the aggregate number of Acquireco Shares that would otherwise be required to be issued to a holder as consideration for such holder's Target Options would result in a fraction of an Target Share being issuable, the number of Target Shares to be received by such holder will be rounded up. The Target Shares received by Optionholders in accordance with the foregoing shall be exchanged with Canco for Acquireco Share Consideration or Exchangeable Share Consideration in accordance with the election or deemed election of such former Target Optionholder pursuant to Section 2.3 of the Plan of Arrangement For greater certainty, all Target Options will expire and terminate in full upon the Effective Date.

(b) All Target Convertible Notes shall be exchanged for notes of Acquireco (the "**Acquireco Convertible Notes**"). The form of Acquireco Convertible Notes is set forth in Schedule K.

(c) The holder of the 250,000 Target Compensation Warrants shall receive, in respect of each such Target Compensation Warrant a fraction of a Target Share, with such

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fraction being calculated according to the formula the numerator of which shall be equal to the difference between C$1.55 and the exercise price for such Target Compensation Warrant and the denominator of which shall be equal to C$1.55. For greater certainty, all Target Compensation Warrants will expire and terminate on the Effective Date.

C. Defence of Proceedings.

Each of Target, Acquireco and Canco shall diligently defend, or shall cause to be diligently defended, any lawsuits or other legal proceedings brought against it or any of its Subsidiaries or their respective directors, officers or shareholders challenging this agreement or the completion of the Transactions. Neither Target, Acquireco nor Canco shall settle or compromise (or permit any of their respective Subsidiaries to compromise or settle) any such claim brought in connection with the Transactions, without the prior written consent of the other (provided that written consent of Acquireco shall only be necessary to the extent settlement of such claim would bind either Acquireco or Canco or in any material respect affect, restrain or interfere with the conduct of the business of Target, Acquireco or any of their Subsidiaries or the consummation of the Transactions or be Materially Adverse to Target).

D. Securities Law Compliance, Regulatory Approvals and Related Covenants.

Acquireco shall:

(a) obtain all orders, if any, required from the applicable Securities Commissions to permit the first resale of:

(i) any Acquireco Shares issued, transferred or delivered by Canco from time to time to holders of Exchangeable Shares in accordance with the provisions of the Exchangeable Shares set out in Schedule I to the Plan of Arrangement;

(ii) any Acquireco Shares transferred by Callco to holders of Exchangeable Shares from time to time in accordance with the terms and conditions set out in the Plan of Arrangement and Schedule I to the Plan of Arrangement; and

in each case without qualification with or approval of or the filing of any prospectus, or the taking of any proceeding with, or the obtaining of any further order, ruling or consent from, any Securities Commission in any of the provinces or territories of Canada (other than, with respect to such first resales, any restrictions on transfer by reason of a holder being a "control person" of Acquireco or Canco or Callco (as defined in the provisions attaching to the Exchangeable Shares) for purposes of Canadian provincial or territorial securities Laws.

(b) ensure that Canco is, at the Effective Time and for so long as there are Exchangeable Shares outstanding (other than those Exchangeable Shares held by Acquireco or any of its affiliates), a "taxable Canadian corporation" and not a

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"mutual fund corporation," each within the meaning of the ITA (as of the Effective Time and any modifications to such definitions which are consistent with the principles thereof).

Acquireco shall obtain all Regulatory Approvals necessary to ensure that the distribution of the Acquireco Shares and the Exchangeable Shares pursuant to the Arrangement (including those Acquireco Shares distributable pursuant to the rights attached to the Exchangeable Shares and the Acquireco Convertible Notes) and the first trade thereof shall not be subject to resale restrictions under applicable Law.

E. Registrar and Transfer Agent.

Target shall permit the registrar and transfer agent for Target Shares to act as depositary in connection with the Arrangement and shall instruct that transfer agent to furnish to Acquireco (and such persons as Acquireco may reasonably designate), at such times as Acquireco may request, any information that Acquireco may reasonably request and to provide to Acquireco (and such persons as Acquireco may designate) such other assistance as it may reasonably request in connection with the implementation and completion of the Transactions.

F. Access to Information; Confidentiality.

(a) Subject to compliance with applicable Law, Target shall, and shall cause its Subsidiaries to, afford to Acquireco and to its Representatives, reasonable access during normal business hours during the period prior to the Effective Time to all of the properties, books, contracts, commitments, personnel and records of Target and its Subsidiaries and, during such period, Target shall, and shall cause each of its Subsidiaries to, furnish promptly to Acquireco (i) a copy of each report, schedule, registration statement and other document filed by it during such period pursuant to the requirements of federal, provincial or state securities Laws and (ii) all other information concerning its business, properties and personnel as Acquireco may reasonably request, including any information with respect to Target Securityholder Approval at the Target Special Meeting and the status of the efforts to obtain such approval. Such information shall be held in confidence to the extent required by, and in accordance with, the provisions of the Confidentiality Agreement.

(b) Subject to compliance with applicable Law, Acquireco shall and shall cause its Subsidiaries to afford to Target and its Representatives, reasonable access during normal business hours, during the period prior to the Effective Time, to all of the properties, books, contracts, commitments, personnel and records of Acquireco and its Subsidiaries and, during such period, Acquireco shall, and shall cause each of its Subsidiaries to, furnish promptly to Target (i) a copy of each report, schedule, registration statement and other document filed by it during such period pursuant to the requirements of federal, provincial or state securities Laws and (ii) all other information concerning its business, properties and personnel as Target may reasonably request, including any information with respect to Acquireco

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Shareholder Approval at the Acquireco Special Meeting and the status of the efforts to obtain such approval. Such information shall be held in confidence to the extent required by, and in accordance with, the provisions of the Confidentiality Agreement.

G. Duty to Inform.

Each of Target and Acquireco shall keep the other apprised of the status of matters relating to the completion of the Transactions and work cooperatively in connection with obtaining the requisite approvals and consents or governmental orders, including:

(a) promptly notifying the other of, and, if in writing, promptly furnish the other with copies of, any communications from or with any Agency with respect to the Transactions;

(b) permitting the other party to review in advance, and considering in good faith the view of one another in connection with, any proposed communication with any Agency in connection with proceedings under or relating to any applicable Law relating to the Transactions; and

(c) not agreeing to participate in any meeting or discussion with any Agency in connection with proceedings under or relating to any applicable Law relating to the Transactions unless it consults with the other party in advance.

H. Board Recommendation.

The board of directors of Target shall in the Target Circular, subject to Section 6.B, unanimously recommend that Target Shareholders approve the Arrangement. The board of directors of Acquireco shall in the Acquireco Circular, subject to Section 6.B., unanimously recommend that Acquireco Shareholders approve the Transactions.

I. Withholding Rights.

Target, Canco, Callco, Acquireco and any person acting as depositary (the "**Depositary**") in connection with the Arrangement shall be entitled to deduct and withhold from any dividend, price or consideration otherwise payable to any holder of Target Shares, Acquireco Shares or Exchangeable Shares such amounts as Target, Canco, Callco, Acquireco or the Depositary is required to deduct and withhold with respect to such payment under the ITA or any other applicable Law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the holder of the securities in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing Agency. To the extent that the amount so required to be deducted or withheld from any payment to a holder exceeds the cash portion of the consideration otherwise payable to the holder, Target, Canco, Callco, Acquireco and the Depositary are hereby authorized to sell or otherwise dispose of such other portion of the consideration as is necessary to provide sufficient funds to Target, Canco, Callco, Acquireco and the Depositary, as the case may be, to enable it to comply with such deduction or

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withholding requirement and Target, Canco, Callco, Acquireco and the Depositary shall notify the holder thereof and remit any unapplied balance of the net proceeds of such sale.

J. Pre-Closing Reorganization.

Target covenants and agrees that, upon the reasonable request by Acquireco, Target shall, and shall cause each of its Subsidiaries to use its reasonable commercial efforts to (i) take such actions to reorganize their respective capital, assets and structure as Acquireco may request in writing, acting reasonably (collectively, the "**Pre-Arrangement Reorganization**") and (ii) cooperate with Acquireco and its advisors in order to determine the nature of the Pre-Arrangement Reorganization that might be undertaken and the manner in which it might most effectively be undertaken; provided that the Pre-Arrangement Reorganization (A) is not prejudicial to Target or any Subsidiary of Target or Target Securityholders or inconsistent with the provisions of this agreement; (B) shall not affect or modify in any respect the obligations of any of Acquireco or Canco under this agreement; (C) is reasonably capable of being consummated following the date of the Final Order and prior to the Effective Time; and (D) does not have adverse Tax consequences to Target or its Subsidiaries. Acquireco shall provide written notice to Target of any proposed Pre-Arrangement Reorganization at least five business days prior to the Effective Time provided that the Pre-Arrangement Reorganization shall in no event be effective prior to the granting of the Final Order. Acquireco shall bear all costs of the Pre-Arrangement Reorganization, including any liability for Taxes of Target or any of the Subsidiaries that may arise as a result of such Pre-Arrangement Reorganization. The parties will use their commercially reasonable efforts to structure the Pre-Arrangement Reorganization in such a manner that it is made effective immediately prior to the Effective Time. If the Arrangement is not completed, Acquireco will forthwith reimburse Target for all reasonable fees and expenses (including any professional fees and expenses) incurred by Target or its Subsidiaries in considering and effecting the Pre-Arrangement Reorganization and shall be responsible for all reasonable fees and expenses (including professional fees and expenses) of Target and its Subsidiaries in reversing or unwinding any Pre-Arrangement Reorganization that was effected prior to the termination of this agreement in accordance with its terms. Notwithstanding the foregoing, in no event shall the completion of any Pre-Arrangement Reorganization be a condition to the completion of the Arrangement.

If the Arrangement is not completed, Acquireco will forthwith reimburse the Target for all reasonable fees and expenses (including any professional fees and expenses) incurred by the Target and its subsidiaries in effecting any Pre-Arrangement Reorganization and shall indemnify the Target for any costs, taxes, loss of opportunity or otherwise of the Target and its subsidiaries in reversing or unwinding any Pre-Arrangement Reorganization that was effected prior to the termination of this Agreement in accordance with its terms.

Acquireco shall indemnify and save harmless the Target and its subsidiaries from and against any and all liabilities, losses, damages, claims, costs, expenses, interest awards, judgments and penalties suffered or incurred by any of them in connection with or as a

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result of their co-operation or assistance with or participation in any Pre-Arrangement Reorganization. No director, officer, employee or agent of the Target or its subsidiaries shall be required to take any action in any capacity other than as a director, officer, employee or agent of the Target or its subsidiaries, as the case may be.

K. U.S. Securities Law Matters

The parties agree that the Arrangement will be carried out with the intention that all Acquireco Shares, Exchangeable Shares and Acquireco Convertible Notes issued on completion of the Arrangement to Target Securityholders, holders of the Target Compensation Warrants and holders of the Target Convertible Notes in the United States, will be issued by Acquireco or Canco, as applicable, in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) of the U.S. Securities Act (the "**Section 3(a)(10) Exemption**"). In order to ensure the availability of the Section 3(a)(10) Exemption, the parties agree that the Arrangement will be carried out on the following basis:

(a) the Arrangement will be subject to the approval of the Court;

(b) the Court will be advised as to the intention of the parties to rely on the Section 3(a)(10) Exemption prior to the hearing required to approve the Arrangement;

(c) the Court will be required to satisfy itself as to the fairness of the Arrangement to the Target Securityholders, holders of the Target Compensation Warrants and holders of the Target Convertible Notes subject to the Arrangement;

(d) the Final Order will expressly state that the Arrangement is approved by the Court as being fair to the Target Securityholders, holders of the Target Compensation Warrants and holders of the Target Convertible Notes;

(e) each Target Securityholder and holder of the Target Compensation Warrants entitled to receive Acquireco Shares or Exchangeable Shares, as applicable, and each holder of Target Convertible Notes entitled to receive Acquireco Convertible Notes, in each case pursuant to the Arrangement will be given adequate notice advising them of their right to attend the hearing of the Court to give approval of the Arrangement and providing them with sufficient information necessary for them to exercise that right;

(f) the Interim Order approving the Target Meeting will specify that each Target Securityholder, holder of Target Compensation Warrants and holder of Target Convertible Notes will have the right to appear before the Court at the hearing of the Court to give approval of the Arrangement so long as it enters an appearance within a reasonable time; and

(g) the Final Order shall include a statement to substantially the following effect:

"This Order will serve as a basis of a claim to an exemption, pursuant to section 3(a)(10) of the U.S. Securities Act, from the registration requirements otherwise

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imposed by that act, regarding the distribution of securities of Galaxy Resources Limited or Canco, as applicable, to the Lithium One Inc. securityholders in the United States pursuant to the Plan of Arrangement."

5. Conduct of Business

A. Conduct of Business by Target.

Prior to the Effective Time, unless Acquireco otherwise agrees in writing, or as otherwise expressly contemplated or permitted by this agreement or as disclosed in the Target Disclosure Statement or as required by applicable Law or by any Governmental Entity having jurisdiction, Target shall, and shall cause each of its Subsidiaries to, (i) conduct its business only in, not take any action except in, and maintain its facilities and assets in, the ordinary course of business consistent with past practice, (ii) maintain and preserve its business organization and its material rights and franchises, (iii) use commercially reasonable efforts to retain the services of its officers and key employees, (iv) use commercially reasonable efforts to maintain relationships with customers, suppliers, lessees, joint venture partners, licensees, lessors, licensors and other third parties, (v) maintain all of its operational assets in their current condition (normal wear and tear excepted) to the end that the goodwill and ongoing business of Target and its Subsidiaries shall not be impaired in any material respect, and (vi) maintain all mining rights in good standing in accordance with all applicable Laws. Without limiting the generality of the foregoing, Target shall (unless Acquireco otherwise agrees in writing (not to be unreasonably withheld or delayed), or as otherwise expressly contemplated or permitted by this agreement or as disclosed in the Target Disclosure Statement):

(a) not do, permit any of its Subsidiaries to do or permit to occur any of the following (directly or indirectly),

(i) issue, grant, sell, transfer, pledge, lease, dispose of, encumber or agree to issue, grant, sell, pledge, lease, dispose of or encumber,

(A) any Target Shares or other securities entitling the holder to rights in respect of the securities or assets of Target or its Subsidiaries, other than pursuant to rights to acquire such securities existing at the date of this agreement as disclosed in the Target Disclosure Statement, or

(B) any property or assets of Target or any of its Subsidiaries (including, without limitation, mining rights), except in the ordinary course of business consistent with past practice,

(ii) amend or propose to amend the constitutional documents (including articles or other organizational documents or by-laws) of it or any of its Subsidiaries,

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(iii) redeem, purchase or offer to purchase any securities of its capital stock, or enter into any agreement, understanding or arrangement with respect to the voting, registration or repurchase of its capital stock,

(iv) adjust, split, combine or reclassify its capital stock or merge, consolidate or enter into a joint venture with any person,

(v) acquire or agree to acquire (by purchase, amalgamation, merger or otherwise) assets from any person that individually or in the aggregate exceed $500,000,

(vi) make, or commit to make, any capital expenditures that individually or in the aggregate exceeds $250,000,

(vii) incur, create, assume, commit to incur, act or fail to act in any manner that would reasonably be expected to accelerate any obligations in respect of, guarantee or otherwise become liable or responsible for, indebtedness for borrowed money, other than advances from Subsidiaries of Target made in the ordinary course of business consistent with past practice,

(viii) prepay any amount owing in respect of indebtedness for borrowed money,

(ix) settle or compromise any suit, claim, action, proceeding, hearing, notice of violation, demand letter or investigation,

(x) enter into, adopt or amend any Employee Benefit Plan or Employment Agreement, except as may be required by applicable Law,

(xi) modify, amend or terminate, or waive, release or assign any material rights or claims with respect to any confidentiality or standstill agreement to which Target is a party,

(xii) other than as a result of the Transactions, take any action that would give rise to a right to severance benefits pursuant to any employment, severance, termination, change in control or similar agreements or arrangements,

(xiii) adopt or amend, or increase or accelerate the timing, payment or vesting of benefits under or funding of, any bonus, profit sharing compensation, stock option (other than Target Options), pension, retirement, deferred compensation, employment or other employee benefit plan, agreement, trust, fund or arrangement for the benefit or welfare of any current or former employee, director or consultant,

(xiv) amend the Target Option Plan or otherwise amend the terms of any Target Options, except that, for avoidance of doubt, Target's board of directors shall be entitled to take such steps as are necessary to accelerate the vesting of otherwise unvested Target Options,

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(xv) enter into any confidentiality agreements or arrangements other than in the ordinary course of business consistent with past practice, except as otherwise permitted in this agreement,

(xvi) except as otherwise required by Law, make any material Tax election, settle or compromise any material Tax claim or assessment, file any Tax Return (other than any Tax Return due before the Effective Time and then only in a manner consistent with past practice), change any method of Tax accounting or consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of Taxes,

(xvii) except as required by Law or GAAP or as determined in the good faith judgement of Target's board of directors, make any changes to existing accounting practices, or write up, write down or write off the book value of any assets in amount that, in aggregate, exceeds $50,000, except for depreciation and amortization in accordance with GAAP***;***

(xviii) enter into or modify any employment, severance, collective bargaining or similar agreements or arrangements with, or take any action with respect to or grant any salary increases, bonuses, benefits, severance or termination pay to, any current or former officers, directors or other employees or consultants; or

(xix) any action or failure to do any action (as the case may be) that causes or may cause:

(A) any mining rights of the Target or any of its Subsidiaries to be forfeited;

(B) the imposition of new or additional terms on the mining rights of the Target or any of its Subsidiaries which are adverse from the perspective of the Target or any of its Subsidiaries; or

(C) the grant, or alteration of, a third party interest in any of the mining rights of the Target or any of its Subsidiaries.

(xx) use its commercially reasonable efforts to cause the current insurance (or re-insurance) policies of it and its Subsidiaries not to be cancelled or terminated or any other coverage under those policies to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and reinsurance companies of nationally recognized standing reasonably acceptable to Acquireco providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect;

(b) not do or permit any action that would, or would reasonably be expected to, render any representation or warranty made by it in this agreement untrue or

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inaccurate in a manner that would, or would reasonably be expected to, be Materially Adverse to Target and its Subsidiaries, taken as a whole;

(c) promptly notify Acquireco orally and in writing of any change in the ordinary course of the business, operations or properties of Target or its Subsidiaries and of any material complaints, investigations or hearings (or communications indicating that the same may be contemplated) that, individually is or in the aggregate are, or would reasonably be expected to be, Materially Adverse to Target and its Subsidiaries, taken as a whole;

(d) not implement any other change in the business, affairs, capitalization or dividend policy of Target or its Subsidiaries that is, or in the aggregate are, or would reasonably be expected to be, Materially Adverse to Target and its Subsidiaries, taken as a whole; and

(e) not enter into or modify any contract, agreement, commitment or arrangement with respect to any of the matters set forth in this Section 5.A.

B. Conduct of Business by Acquireco.

During the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, unless Target otherwise agrees in writing (not to be unreasonably withheld or delayed), or as otherwise expressly contemplated or permitted by this agreement or as disclosed in the Acquireco Disclosure Statement or as required to give effect to this agreement or by applicable Law or by any Governmental Entity having jurisdiction, Acquireco shall, and shall cause each of its Subsidiaries to, (i) conduct its business only in, not take any action except in, and maintain its facilities and assets in, the ordinary course of business consistent with past practice, (ii) maintain and preserve its business organization and its material rights and franchises, (iii) use commercially reasonable efforts to retain the services of its officers and key employees, (iv) use commercially reasonable efforts to maintain relationships with customers, suppliers, lessees, joint venture partners, licensees, lessors, licensors and other third parties, (v) maintain all of its operational assets in their current condition (normal wear and tear excepted) to the end that the goodwill and ongoing business of Acquireco and its Subsidiaries shall not be impaired in any material respect, and (vi) maintain all mining rights in good standing in accordance with all applicable Laws. Without limiting the generality of the foregoing, Acquireco shall (unless Target otherwise agrees in writing (not to be unreasonably withheld or delayed), or as otherwise required to give effect to this agreement expressly contemplated or permitted by this agreement or as disclosed in the Acquireco Disclosure Statement):

(a) not (i) amend its constating or other comparable organizational documents; (ii) split, combine or reclassify any shares in the capital of Acquireco or its Subsidiaries; (iii) amend the terms of any of its securities; (iv) adopt a plan of liquidation or resolution providing for the liquidation or dissolution of Acquireco or any of its Subsidiaries; (v) amend its accounting policies or adopt new accounting policies, in each case except as required to comply with generally

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accepted accounting principles; (vi) declare, set aside or pay any dividend or other distribution (whether in cash, securities or property or any combination thereof) in respect of any Acquireco Shares except, in the case of any of Acquireco's wholly-owned Subsidiaries, for dividends payable to Acquireco; (vii) other than in connection with the Acquisition Financing issue or sell, or agree to issue or sell, any Acquireco Shares, or securities convertible into or exchangeable for Acquireco Shares; (viii) acquire or agree to acquire (by merger, amalgamation, acquisition of shares or assets or otherwise) any Person or any property or assets, that has a value greater than, in the aggregate, 10% of the cash and cash equivalents held by Acquireco as of the date of this Agreement; or (ix) take any action, or fail to take any action that is intended to, or would reasonably be expected to, individually or in the aggregate, prevent, materially delay or materially impede the ability of Acquireco to consummate the Arrangement or the other transactions contemplated by this Agreement.

6. Acquisition Proposals

A. Non-Solicitation; Adverse Acts.

Except in respect of any action or inaction that is permitted by this agreement, neither Principal Party shall (nor shall it permit any of its Subsidiaries to), directly or indirectly, through any of its Representatives or any Representatives of its Subsidiaries or otherwise, directly or indirectly:

(a) to solicit, initiate, knowingly encourage, or facilitate (including by way of furnishing non-public information) any inquiries or the making by any third party of any proposals regarding an Acquisition Proposal;

(b) to participate in any discussions or negotiations regarding any Acquisition Proposal;

(c) to approve or recommend any Acquisition Proposal; or

(d) to accept or enter any agreement, arrangement or understanding related to any Acquisition Proposal.

Additionally, each Principal Party shall and shall cause its Subsidiaries, its Representatives and the Representatives of its Subsidiaries to:

(a) immediately cease and cause to be terminated any existing discussions or negotiations, directly or indirectly, with any person with respect to any Acquisition Proposal; and

(b) not, directly or indirectly, waive or vary any terms or conditions of any confidentiality or standstill agreement that it has entered into with any person considering any Acquisition Proposal and shall promptly request the return (or the deletion from retrieval systems and data bases or the destruction) of all

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information, in each case subject to the terms and conditions of each such agreement.

B. Permitted Actions.

Notwithstanding anything in this agreement, nothing shall prevent a Principal Party, its Subsidiaries or its or their Representatives or the board of directors of the Principal Party from:

(a) complying with the obligations of such board of directors under applicable securities Law to prepare and deliver a directors' circular in response to a take-over bid; and

(b) considering, participating in discussions or negotiations and entering into confidentiality agreements and providing information, in each case pursuant to Section 6, regarding a *bona fide* written Acquisition Proposal that the board of directors of such Principal Party has determined by formal resolution, in good faith and after receiving confirmation in support of the board's determination from its financial advisors and outside legal counsel, that such Acquisition Proposal could reasonably be expected, if consummated, to result in a Superior Proposal;

(c) failing to recommend (in the case of Target, to the Target Securityholders and in the case of Acquireco, to the Acquireco Shareholders) the matters to be approved by securityholders of such Principal Party at the Target Special Meeting or Acquireco Special Meeting, as applicable, in connection with the Transactions or withdrawing, amending, modifying or qualifying such recommendation, in a manner adverse to the other Principal party, or failing to reaffirm such recommendation, within five business days after having been requested in writing by the other Principal party to do so, in a manner adverse to the other Principal Party (a "**Change of Recommendation**") if, in the good faith judgment of its board of directors, after consultation with legal counsel, the failure to take such action would be inconsistent with such board of directors' exercise of fiduciary duties or such action or disclosure is otherwise required by applicable Law; provided that, for greater certainty, in the event of Change of Recommendation and a termination by the other Principal Party of this agreement in accordance with Section 7.A.(b)(vii) or 7.A.(c)(vii), as the case may be, such Principal Party shall pay the Termination Fee as required by Section 8.B(a)(ii) or Section 8.A.(a)(ii), as applicable.

The board of directors of such Principal Party shall not, except in compliance with this Section 6.B and Sections 6.E and F enter into any other agreement, arrangement or understanding in respect of any such Acquisition Proposal.

C. Notification of Acquisition Proposal.

Each Principal Party shall, as soon as practicable but in any event within 48 hours, notify the other Principal Party, at first orally and then promptly thereafter in writing, of any

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Acquisition Proposal received after the date hereof, or any amendments to that Acquisition Proposal, or any request for information relating to any Acquisition Proposal or any request for access to a Principal Party or any of its Subsidiaries or the properties, books, or records of a Principal Party or any of its Subsidiaries, by any person that such Principal Party reasonably believes is proposing to make, or has made, any Acquisition Proposal. Such notices shall include a description of the material terms and conditions of any proposal and the identity of the person making such proposal or inquiry, together with a copy of any such written Acquisition Proposal. The Principal Party providing notice in accordance with this Section 6.C shall thereafter provide such other details of the proposal or inquiry, discussions or negotiations as the other Principal Party may reasonably request and shall attach copies of all letters, agreements and other documentation (whether executed or in draft) exchanged by or on behalf of the notifying Principal Party and the party proposing such Acquisition Proposal. The notifying Principal Party shall keep the other Principal Party reasonably informed by way of further notices of the status including any change to the material terms of any such Acquisition Proposal.

D. Access to Information.

If a Principal Party receives a request for information from a person that has made a *bona fide* written Acquisition Proposal that complies with Section 6.B, then, and only in such case, the board of directors of such Principal Party may, subject to (only if such person is not already party to a confidentiality agreement in favour of such Principal Party), the execution by such person of a confidentiality agreement, containing terms at least as favourable to such Principal Party as those contained in the Confidentiality Agreement and a prohibition on such person's use of any information regarding such Principal Party or its Subsidiaries for any reason whatsoever other than as relates to such person's evaluation and consummation of the transaction that is the subject of the Acquisition Proposal, provide such person with access to information regarding such Principal Party and its Subsidiaries; provided that such Principal Party sends a copy of any such confidentiality agreement to the other Principal Party promptly upon its execution and such Principal Party provides the other Principal Party (to the extent it has not already done so) with copies of the information provided to such person and promptly provides the other Principal Party with access to all information to which such person was provided access.

E. Implementation of Superior Proposal.

Subject to the rights of the other Principal Party under Section 6.F, a Principal Party may terminate this agreement in accordance with Section 7.A.(b)(iii) or 7.A.(c)(iii), as applicable, in order to enter into a definitive agreement, undertaking or arrangement in respect of a Superior Proposal only if:

(a) such Principal Party has complied with its obligations under this Section 6 with respect to the Superior Proposal, including by providing the other Principal Party with all documentation required to be delivered under Section 6.C and Section

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6.D and a copy of the Superior Proposal (including any draft agreement to be entered into by such Principal Party which governs the Superior Proposal);

(b) a period expiring at 5:00 p.m. (Toronto time) on the fifth business day (the "**Response Period**") after the later of (i) the date on which the other Principal Party received written notice from the board of directors of such Principal Party that it has resolved, subject only to compliance with this Section 6.E, to accept, or enter into a definitive agreement, undertaking or arrangement in respect of, a Superior Proposal, and (ii) the date the other Principal Party received a copy of the Superior Proposal as provided in Section 6.E(a), has elapsed;

(c) the board of directors of such Principal Party has considered any amendment to the terms of this agreement proposed in writing by the other Principal Party (or on its behalf) before the end of the Response Period as contemplated in Section 6.F and determined in good faith, having first received confirmation in support of the board's determination from its financial advisors and outside legal counsel, that the Superior Proposal remains a Superior Proposal (as assessed against this agreement, together with the written amendments, if any, proposed by the other Principal Party before the end of the Response Period); and

(d) in the case of Target, subject to neither Acquireco nor Canco being in breach of or having failed to perform any of its representations, warranties, covenants or agreements set forth in this agreement, where such breach or failure would render Acquireco and Canco incapable of consummating the Transactions, Target has paid (or cause to be paid) to Acquireco the Termination Fee in accordance with Section 8.A.(a)(i).

In the event that a Principal Party receives a Superior Proposal within 10 days of the date, in the case of Target of the Target Special Meeting or in the case of Acquireco of the Acquireco Special Meeting, such Principal Party shall be entitled to adjourn or postpone the Target Special Meeting or the Acquireco Special Meeting, as the case may be, to a date that is not more than seven business days after the end of the Response Period and if the Response Period would not terminate before the Target Special Meeting or the Acquireco Special Meeting, as applicable, at the request of the Principal Party entitled to such Response Period, the other Principal Party shall adjourn the Target Special Meeting or Acquireco Special Meeting, as the case may be, to a date that is no less than two and no more than five business days after the Response Period.

F. Response to Superior Proposal.

During the Response Period, the other Principal Party (the "**Matching Party**") shall have the right, but not the obligation, to offer in writing to amend the terms of this agreement. The board of directors of the Principal Party that received the Superior Proposal (the "**Receiving Party**") shall review any such written offer by the Matching Party to amend this agreement in good faith, in consultation with its financial advisors and outside legal counsel, to determine whether the Acquisition Proposal to which the Matching Party is responding would continue to be a Superior Proposal when assessed against this

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agreement, as would be amended in accordance with the written amendments, if any, proposed by the Matching Party before the end of the Response Period. If the board of directors of the Receiving Party does not so determine by formal resolution, it shall enter into an amended agreement with the Matching Party reflecting the Matching Party's proposed written amendments. If the board of directors of the Receiving Party does so determine then, the Receiving Party may terminate this agreement in accordance with Section 7.A.(b)(iii) or 7.A.(c)(iii), as applicable, in order to enter into a definitive agreement, undertaking or arrangement in respect of such Superior Proposal; provided that in no event shall the board of directors of the Receiving Party take any action prior to the end of the Response Period that may obligate the Receiving Party or any other person to seek to interfere with the completion of the Transactions, or impose any "break-up," "hello" or other fees or options or rights to acquire assets or securities, or any other obligations that would survive completion of the Transactions, on the Receiving Party or any of its Subsidiaries, property or assets and provided further that the Receiving Party has paid such amounts as may be payable to the Matching Party upon termination in accordance Section 8A. or Section 8A., as applicable.

G. General.

Each successive amendment to any material term of an Acquisition Proposal shall constitute a new Acquisition Proposal for the purpose of Section 6.E and F and the relevant Principal Party shall be offered a new Response Period in respect of each such Acquisition Proposal.

7. Termination and Amendment of Agreement

A. Termination.

The rights and obligations of the parties pursuant to this agreement, other than pursuant to the last paragraph of Section 1.B, the last sentence of Section 4.F(a), and Sections 7, 8, 9.D, 10 and 11, may be terminated at any time before the Effective Time:

(a) by mutual agreement in writing executed by Target and Acquireco (for itself and on behalf of Canco) (for greater certainty, without further action on the part of Target Securityholders if termination occurs after the holding of the Target Special Meeting);

(b) by Target,

(i) after the Outside Date, if the conditions provided in Section 2.A and B have not been satisfied, or waived by Target, on or before the Outside Date, provided however that the right to terminate in this Section 7.A(b)(i) shall not be available to Target if its failure to fulfill any of its obligations under this agreement or if its breach of any of its representations and warranties under this agreement has been the cause of, or resulted in, the failure of the Effective Time to occur by such Outside Date; or

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(ii) if there shall be enacted or made any applicable Law that makes consummation of the Arrangement illegal or otherwise prohibited or enjoins Target, Canco or Acquireco from consummating the Arrangement and such applicable Law (if applicable) or enjoinment shall have become final and non-appealable; or

(iii) at any time if the board of directors of Target authorizes Target to enter into a definitive agreement, undertaking or arrangement in respect of a Superior Proposal in the circumstances contemplated by Section 6.B(b) and Section 6.E or 6.F (provided that concurrently with such termination, Target pays the Termination Fee payable pursuant to Section 8.A.(a); or

(iv) at any time following the Target Special Meeting, if Target Securityholders do not cast (or do not cause to be cast) sufficient votes at the Target Special Meeting to permit completion of the Arrangement; or

(v) at any time following the Acquireco Special Meeting, if the Acquireco Shareholder Approval is not obtained at the Acquireco Special Meeting; or

(vi) at any time if Acquireco or Canco shall have breached or failed to perform any of its representations, warranties, covenants or agreements set forth in this agreement, which breach or failure is, or would reasonably be expected to be, Materially Adverse to Acquireco and its Subsidiaries as a whole; or

(vii) if at any time, the board of directors of Acquireco,

(A) prior to obtaining Acquireco Shareholder Approval, makes a Change of Recommendation;

(B) approves, recommends, accepts or enters into any agreement, undertaking or arrangement in respect of an Acquisition Proposal (other than a confidentiality agreement as contemplated in Section 6) but excluding the resolutions referred to in Section 6.B(b) and Section 6.E(c); or

(viii) at any time if Acquireco breaches or fails to perform any of the covenants or agreement set for in Section 6; and

(c) by Acquireco,

(i) after the Outside Date, if the conditions provided in Section 2.A and C have not been satisfied or waived by Acquireco on or before the Outside Date, provided however that the right to terminate in this Section 7.A(c)(i) shall not be available to Acquireco if its or Canco's failure to fulfill any of its or Canco's obligations under this agreement or if its or Canco's breach of any of its or Canco's representations and warranties under this

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agreement has been the cause of, or resulted in, the failure of the Effective Time to occur by such Outside Date; or

(ii) if there shall be enacted or made any applicable Law that makes consummation of the Arrangement illegal or otherwise prohibits or enjoins Target, Acquireco or Canco from consummating the Arrangement and such applicable Law (if applicable) or enjoinment shall have become final and non-appealable; or

(iii) at any time if the board of directors of Acquireco authorizes Acquireco to enter into a definitive agreement, undertaking or arrangement in respect of a Superior Proposal in the circumstances contemplated by Section 6.B.(b) and Section 6.E. or 6.F. (provided the concurrently with such termination, the Acquireco pays the Termination Fee payable pursuant to Section 8.B.(a));

(iv) at any time following the Target Special Meeting, if Target Securityholders do not cast (or do not cause to be cast) sufficient votes at the Target Special Meeting to permit completion of the Arrangement; or

(v) at any time following the Acquireco Special Meeting, if the Acquireco Shareholder Approval is not obtained at the Acquireco Special Meeting; or

(vi) at any time if Target shall have breached or failed to perform any of its representations, warranties, covenants or agreements set forth in this agreement, which breach or failure is, or would reasonably be expected to be, Materially Adverse to the Target and its Subsidiaries as a whole; or

(vii) at any time if the board of directors of Target,

(A) prior to obtaining Target Securityholder Approval, makes a Change of Recommendation;

(B) approves, recommends, accepts or enters into any agreement, undertaking or arrangement in respect of an Acquisition Proposal (other than a confidentiality agreement as contemplated in Section 6) but excluding the resolutions referred to in Section 6.B(b) and Section 6.E(c); or

(viii) at any time if Target breaches or fails to perform any of the covenants or agreements set forth in Section 6.

Neither Target nor Acquireco may seek to rely upon the failure to satisfy any conditions precedent in Section 2.A, B or C or exercise any termination right arising therefrom or any termination right provided in Sections 7.A(b)(vi), 7.A(b)(viii), 7.A(c)(vi) or 7.A(c)(viii) unless forthwith and in any event prior to the filing of the articles of arrangement for acceptance by the Director, Target or Acquireco, as the case may be, has delivered a written notice to the other specifying in reasonable detail all breaches of

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covenants, representations and warranties or other matters which Target or Acquireco, as the case may be, is asserting as the basis for the non-fulfilment of the applicable condition precedent or the exercise of the termination right, as the case may be. If any such notice is delivered, provided that Target or Acquireco, as the case may be, is proceeding diligently to cure all such matters, if and for so long as all such matters are susceptible of being cured (for greater certainty, except by way of disclosure in the case of representations and warranties) ("**Curable Matters**"), the other may not terminate this agreement as a result thereof until the earlier of (i) the date that any Curable Matter is no longer susceptible of being cured, (ii) the date that Target or Acquireco, as the case may be, is no longer proceeding diligently to cure all Curable Matters, and (iii) the later of (A) the Outside Date and (B) the expiration of a period of 15 days from such notice (the "**Termination Period**"). If such notice has been delivered prior to the date of the Target Special Meeting, such meeting shall, unless the parties agree otherwise, be postponed or adjourned until the earlier of (i) the date that is two business days after the date that Target or Acquireco, as the case maybe, notifies the other that all Curable Matters have been cured, and (ii) the expiry of the Termination Period unless this Agreement is terminated on such date. If such notice has been delivered prior to the making of the application for the Final Order or the filing of the articles of arrangement for acceptance by the Director, such application and such filing shall be postponed until the earlier of (x) the date that is two business days after the date that Target or Acquireco, as the case maybe, notifies the other that all Curable Matters have been cured, and (y) the expiry of the Termination Period unless this Agreement is terminated on such date. For greater certainty, if all Curable Matters are cured within the Termination Period without being Materially Adverse to the curing party and its Subsidiaries, taken as a whole, this agreement may not be terminated as a result of the Curable Matter having been cured.

In the event of the termination of this agreement as provided in Section 7.A, this agreement shall forthwith have no further force or effect and there shall be no obligation on the part of Acquireco, Canco or Target hereunder except as set forth in the last paragraph of Section 1.B, the last sentence of Sections 4.F(a), 4.F(b) and Sections 7, 8, 9.D, 10 and 11, which provisions shall survive the termination of this agreement; provided further that, subject to Section 8.B, the termination of this agreement in accordance with Section 7.A shall not relieve any party from any liability for any material breach by it of this agreement. A termination of this agreement shall not constitute a termination of the Confidentiality Agreement which shall continue in full force and effect in accordance with its terms.

B. Amendment.

This agreement, including the Plan of Arrangement, may be amended by written agreement of the parties at any time before and after the Target Special Meeting, but not later than the Effective Date and any such amendment may, subject to applicable Law or the Interim Order, without limitation:

(a) change the time for performance of any of the obligations or acts of the parties;

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(b) waive any inaccuracies in or modify any representation contained in this agreement or any document to be delivered pursuant to this agreement;

(c) waive compliance with or modify any of the covenants contained in this agreement or waive or modify performance of any of the obligations of the parties; and/or

(d) waive compliance with or modify any condition precedent contained in this agreement.

C. Approval of Amendments.

Target and Acquireco will use all commercially reasonable efforts to obtain the approvals of the Court and Target Shareholders in respect of any amendments to this agreement, including the Plan of Arrangement, to the extent required by applicable Law.

8. Termination Payments

A. Payment to Acquireco.

(a) If:

(i) Target exercises its right of termination pursuant to Section Section.7.A(b)(iii); or

(ii) Acquireco exercises its right of termination pursuant to Section 7.A(c)(vii),

Target shall immediately pay (or cause to be paid) the Termination Fee to Acquireco in immediately available funds to an account designated by Acquireco; provided, however, that no such Termination Fee shall be payable in respect of a termination by Acquireco pursuant to Section 7.A(c)(vii)(A), if within 5 business days after the public announcement by Acquireco of the results of the Acquisition Financing, the board of directors of Target, after consultation with its legal and financial advisors, and Acquireco, determines (acting reasonably) to change its recommendation as a result of Target having received notice from the Financial Advisor of its intention, acting reasonably, to withdraw or revoke the Fairness Opinion.

(b) If Acquireco exercises its right of termination pursuant to Section 7.A(c)(viii), Target shall immediately pay (or cause to be paid) to Acquireco in immediately available funds to an account designated by Acquireco all properly documented fees, costs and expenses incurred by Acquireco in connection with the transactions contemplated by this agreement and the Arrangement, up to a maximum of $750,000.

(c) If, prior to the time of the Target Special Meeting, a *bona fide* written Acquisition Proposal in relation to the Target or its subsidiaries has been publicly announced

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and has not been withdrawn and at any time within the six months after the date of such termination, Target approves, recommends, accepts, enters into any agreement, undertaking or arrangement in respect of, or consummates such Acquisition Proposal or such Acquisition Proposal is completed, Target shall immediately pay to Acquireco on closing of such Acquisition Proposal the Termination Fee in immediately available funds to an account designated by Acquireco.

B. Payment to Target.

(a) If:

(i) Acquireco exercises its rights of termination pursuant to Section 7.A.(c)(iii), or

(ii) Target exercises its right of termination pursuant to Section 7.A(b)(vii),

Acquireco shall immediately pay (or cause to be paid) the Termination Fee to Target in immediately available funds to an account designated by Acquireco.

(b) If Target exercises its right of termination pursuant to Section 7.A(b)(viii), Acquireco shall immediately pay (or cause to be paid) to Target in immediately available funds to an account designated by Target all properly documented fees, costs and expenses incurred by Target in connection with the transactions contemplated by this agreement and the Arrangement, up to a maximum of $750,000 .

(c) If prior to the time of the Acquireco Special Meeting, a *bona fide* written Acquisition Proposal in relation to the Acquireco or its Subsidiaries has been publicly announced and has not been withdrawn and at any time within the six months after the date of such termination, Acquireco approves, recommends, accepts, enters into any agreement, undertaking or arrangement in respect of, or consummates an Acquisition Proposal or any Acquisition Proposal is completed, Acquireco shall immediately pay to Target on closing of such Acquisition Proposal the Termination Fee in immediately available funds to an account designated by Target.

C. Damages.

The parties acknowledge and agree that the payment of the Termination Fee or other amounts set forth in Section 8.A and Section 8.B. are payments of liquidated damages which are a genuine pre-estimate of the damages which the parties would suffer or incur as a result of the event giving rise to such damages and the resultant termination of this agreement and are not a penalty. The parties further acknowledge and agree, however, that, notwithstanding any other provision in this agreement to the contrary, in connection with any termination where a Termination Fee or other amount is not otherwise paid or payable pursuant to Section 8.A or Section 8.B., the parties shall be entitled to any additional remedies set forth in this agreement, including injunctive relief and specific

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performance, and all additional and other remedies available at law or in equity to which the parties, as applicable, may be entitled. Each of the parties irrevocably waives any right it may have to raise a defence that any amounts that are required to be paid pursuant to Section 8.A or Section 8.B. are excessive or punitive. Each of the parties agrees that the payment of the Termination Fee and other amounts set forth in Section 8.A and Section 8.B. are the sole and exclusive remedies of the parties in respect of the events giving rise to the payment of such amounts. Nothing in this Section 8.C shall relieve any party in any way from liability for damages incurred or suffered by the other parties hereto as a result of an intentional or wilful breach of this agreement by the first named party.

9. Acquireco Covenants.

A. Indemnities.

From and after the Effective Time, and subject to the immediately following paragraph, Acquireco shall, and shall cause Target to, indemnify and hold harmless and provide advancement of expenses to, and Acquireco shall not do anything to prevent Target from indemnifying and holding harmless and providing advancement of expenses to, all present and past directors and officers of any member of the Target Group (the "**Indemnified Persons**") to the maximum extent permitted by Law and in accordance with the terms of any such arrangements between Target and its present and past directors and officers existing on the date hereof, against any and all liabilities and obligations, costs or expenses (including reasonable legal fees), judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative arising out of or related to such Indemnified Person's service as a director or officer of any member of the Target Group or services performed by such persons at the request of any member of the Target Group at or prior to the Effective Time, whether asserted or claimed prior to, at or after the Effective Time (to the extent the Indemnified Person acted honestly and in good faith and in the best interests of Target and in the case of criminal or administrative action or proceeding that is enforced by a monetary penalty, the Indemnified Person had reasonable grounds for believing that the conduct was lawful), including the approval of this agreement, the Arrangement or the other transactions contemplated by this agreement or arising out of or related to this agreement and the Transactions contemplated hereby.

Without the consent of the Indemnified Person, neither Acquireco nor Target shall settle, compromise or consent to the entry of any judgment in any claim, action, suit, proceeding or investigation or threatened claim, action, suit, proceeding or investigation for which indemnification is required to be provided under this Section 9 (i) unless such settlement, compromise or consent includes an unconditional release of the applicable Indemnified Person (which release shall be in form and substance reasonably satisfactory to such Indemnified Person) from all liability arising out of such action, suit, proceeding, investigation or claim or such Indemnified Person otherwise consents or (ii) that includes an admission of fault of such Indemnified Person.

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Subject only to the limitations set forth in this Section 9, all rights to indemnification and exculpation from liabilities for acts or omissions occurring at or prior to the Effective Time and rights to advancement of expenses relating thereto now existing in favour of any Indemnified Person as provided in the articles of incorporation or by-laws of any member of the Target Group or any indemnification contract or policy between such Indemnified Person and any member of the Target Group existing on the date hereof shall survive the Effective Time and shall not be amended, repealed or otherwise modified in any manner that would adversely affect any right thereunder of any such Indemnified Person.

B. Directors and Officers Insurance and Other Indemnification Matters.

Without limiting the right of Target to do so prior to the Effective Time, Acquireco hereby agrees to cause Target to secure directors' and officers' liability insurance coverage by not later than the Effective Time from a reputable and financially sound insurance carrier and containing terms and conditions that are no less advantageous to the directors and officers of the Target Group than those contained in Target's policy in effect on the date hereof for the current and former directors and officers of each member of the Target Group on a six year "trailing" (or "run-off") basis with respect to any claim related to any period or time at or prior to the Effective Time; provided, however, that Acquireco and Target shall not be required to maintain or obtain policies providing such coverage except to the extent such coverage can be provided at an annual cost of no greater than 250% of the most recent annual premium paid by Target prior to the date hereof (the "**Cap**"); and provided, further, that if equivalent coverage cannot be obtained, or can be obtained only by paying an annual premium in excess of the Cap, Acquireco shall only be required to cause Target to obtain as much coverage as can be obtained by paying an annual premium equal to the Cap.

C. Employment Agreements.

Acquireco covenants and agrees, at and after the Effective Time, that it will cause each member of the Target Group and any of their respective successors to honour and comply with the terms of all existing employment agreements, termination, severance, change of control, retention plans or policies and pension plans and similar agreements of the Target Group as disclosed in the Target Disclosure Statement. Nothing in this Section 9.C shall limit any member of the Target Group from terminating any of their employees, subject to applicable Law and the terms of any applicable contract.

D. Third Party Beneficiaries.

This agreement is not intended to, and shall not, confer upon any other person any rights or remedies hereunder, except as set forth in or contemplated by the terms and provisions of Section 9.A, B, C, this Section 9.D, the last paragraph of Section 1.B and the first sentence of Section 4.A1 (which provisions shall for greater certainty survive the Effective Time and continue in full force and effect in accordance with their terms after the Effective Time).

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E. Guarantee.

Acquireco unconditionally and irrevocably guarantees, covenants and agrees to be jointly and severally liable with Canco for the due and punctual performance of each and every obligation of Canco arising under this agreement and in respect of the Transactions.

F. Options.

Acquireco and the Target each acknowledge and agree that the Target or any person not dealing at arm's length, within the meaning of the ITA, will elect to forego any deduction under the ITA with respect to the payments to be made by Acquireco pursuant to the Plan of Arrangement to Target Optionholders who are residents of Canada for purposes of the ITA and, to effect the foregoing, the Target will comply with the requirements described in subsection 110(1.1) of the ITA.

G. Election Not To Be a Public Corporation.

As soon as possible after the Effective Date, Acquireco will ensure that the Target complies with prescribed conditions and will elect in the prescribed manner to cease to be a "public corporation" within the meaning of the ITA.

H. Eligible Dividends.

Acquireco covenants and agrees to cause Canco to designate any dividend paid on the Exchangeable Shares as an "eligible dividend" as defined in the ITA to the extent that Canco does not have a positive balance in its "low rate income pool" as defined in the ITA.

10. Confidentiality and Public Disclosure.

A. Target and Acquireco shall consult with each other as to the general nature of any news releases or public statements with respect to this agreement or the Transactions, and shall use their respective commercially reasonable efforts not to issue any news releases or public statements inconsistent with the results of such consultations. Subject to applicable Law, each party shall use its commercially reasonable efforts to enable the other party to review and comment on all such news releases and public statements prior to the release thereof.

B. Corporate Names.

If this Agreement is terminated for any reason prior to the Effective Time, Canco shall, and Acquireco shall take such steps and actions as may be required to cause Canco to, forthwith change its name to a name that does not include "Lithium One".

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11. General

A. Definitions.

For the purposes of this agreement, those terms defined in Schedule A and Schedule B shall have the meanings attributed to them in those Schedules.

B. Assignment.

Except as expressly permitted by the terms hereof, neither this agreement including (for greater certainty) the Plan of Arrangement, nor any of the rights, interests or obligations hereunder or thereunder shall be assigned by either of the parties without the prior written consent of the other party. Acquireco and Canco may each assign all or any part of its rights or obligations under this agreement to one or more of its direct or indirect wholly-owned subsidiaries or any combination thereof provided that if such assignment takes place, Acquireco shall continue to be fully liable as primary obligor and not merely as surety and, on a joint and several basis with any such entity, to Target for any default in performance by the assignee of any of Acquireco's or Canco's obligations hereunder and Acquireco agrees to provide to Target a guarantee in form and substance satisfactory to Target in respect thereof.

C. Binding Effect.

This agreement, including (for greater certainty) the Plan of Arrangement, shall be binding upon and shall inure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns. No third party shall have any rights under this agreement except as expressly set forth in Section 9.D.

D. Representatives.

Each of Target and Acquireco and Canco shall ensure that its and its Subsidiaries' Representatives (other than persons who are insiders only as a result of their shareholdings) are aware of the provisions of this agreement, and each of Target and Acquireco and Canco shall be responsible for any breach of those provisions by any of those persons, respectively.

E. Responsibility for Expenses.

Except as provided in Section 8A.(b) and Section 8.B.(b), each party to this agreement shall pay its own expenses incurred in connection with this agreement and the completion of the Transactions that it contemplates, whether or not the Arrangement and the Transactions are completed.

F. Time.

Time shall be of the essence of this agreement in each and every matter or thing herein provided.

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G. Notices.

(a) Each party shall give prompt notice to the other of:

(i) the occurrence or failure to occur of any event that causes, or would reasonably be expected to cause, any representation or warranty on its part contained in this agreement to be untrue or inaccurate or, in the case of Target, that is or would reasonably be expected to be, Materially Adverse to any of Target and its Subsidiaries; and

(ii) any material breach of its obligations under this agreement, provided that no such notification shall affect the representations, warranties, covenants or agreements of the parties or the conditions to the obligations of the parties under this agreement.

(b) Each of Target and Acquireco shall give prompt notice to the other of any previously undisclosed fact of which it becomes aware after the date of this agreement that is, or would reasonably be expected to be, in the case of Target, Materially Adverse to Target or its Subsidiaries, taken as a whole or, in the case of Acquireco, is or would reasonably be expected to be Materially Adverse to the ability of Acquireco or Canco to perform its obligations under this agreement.

(c) Any notice or other communications required or permitted to be given under this agreement shall be sufficiently given if delivered in person, by overnight courier, or if sent by facsimile transmission (provided such transmission is recorded as being transmitted successfully):

(i) in the case of Target, to the following address:

Target
Attn: Mr. Paul Matysek
Suite 2700
130 Adelaide Street West
Toronto ON M5H 3P5

Tel: (416) 361-2832
Fax: (416) 364-5400

with a copy to (which shall not constitute notice):

Blake Cassels & Graydon LLP
Attn: Mr Bob Wooder
Suite 2600, 595 Burrard Street
P.O. Box 49314, 3 Bentall Centre
Vancouver, BC V7X 1L3

Tel: +1 604-631-3330
Fax: +1 604-631-3309

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(ii) in the case of Acquireco or Canco, to the following address:

Acquireco
Attn: Mr Iggy Tan
Managing Director
Level 2, 16 Ord StreetWest Perth, WA 6005Tel: +61 8 9215 1700
Fax: +61 8 9215 1799

with a copy to (which shall not constitute notice):

Fasken Martineau DuMoulin LLP
Attn: Mr Peter Villani
Stock Exchange Tower
Suite 3400
800 Place Victoria
Montréal QC H4Z 1E9
Canada

Tel: +1 514 397 4316
Fax: +1 514 397 7600

or at such other address as the party to which such notice or other communication is to be given has last notified the party giving the same in the manner provided in this section, and if so given, the same shall be deemed to have been received on the date of such delivery or sending.

H. Governing Law.

This agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable herein. Each party hereto irrevocably submits to the non-exclusive jurisdiction of the courts of the Province of Ontario with respect to any matter arising hereunder or related hereto.

I. Injunctive Relief.

Except as otherwise provided herein (including Section 8), any and all remedies herein expressly conferred upon a party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by Law or equity upon such party, and the exercise by a party of any one remedy will not preclude the exercise of any other remedy. The parties hereto hereby agree that irreparable damage would occur in the event that any provision of this agreement were not performed in accordance with its specific terms or were otherwise breached, and that money damages or other legal remedies would not be an adequate remedy for any such damages. Accordingly, the parties hereto acknowledge and hereby agree that in the event of any breach or threatened breach by Target, on the one hand, or Acquireco or Canco, on the other hand, of any of their respective covenants or obligations set forth in this agreement, Target, on the one hand, and Acquireco and

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Canco, on the other hand, shall be entitled to an injunction or injunctions to prevent or restrain breaches or threatened breaches of this agreement by the other, and to specifically enforce the terms and provisions of this agreement to prevent breaches or threatened breaches of, or to enforce compliance with, the covenants and obligations of the other under this agreement. Each of the parties hereto hereby agrees not to raise any objections to the availability of the equitable remedy of specific performance to prevent or restrain breaches or threatened breaches of this agreement by it, and to specifically enforce the terms and provisions of this agreement to prevent breaches or threatened breaches of, or to enforce compliance with, the covenants and obligations of the other party under this agreement.

The parties hereto further agree that, except as provided herein (including Section 8) (x) by seeking the remedies provided for in this Section 11.I, a party shall not in any respect waive its right to seek any other form of relief that may be available to a party under this agreement in the event that this agreement has been terminated or in the event that the remedies provided for in this Section 11.I are not available or otherwise are not granted, and (y) nothing set forth in this Section 11.I shall require any party hereto to institute any proceeding for (or limit any party's right to institute any proceeding for) specific performance under this Section 11.I prior or as a condition to exercising any termination right under Section 7.A (and pursuing damages after such termination), nor shall the commencement of any legal proceeding restrict or limit any party's right to terminate this agreement in accordance with the terms of Section 7.A or pursue any other remedies under this agreement that may be available then or thereafter.

J. Currency.

Except as expressly indicated otherwise, all sums of money referred to in this agreement are expressed and shall be payable in Canadian dollars.

K. Knowledge.

Where the phrase "to the knowledge of Target" is used, such phrase shall mean, in respect of each representation and warranty or other statement which is qualified by such phrase, that such representation and warranty or other statement is being made based upon the actual knowledge of Paul Matysek, Chief Executive Officer after reasonable inquiry within Target (which, for greater certainty, shall not require any new third party audits or studies or require any enquiries of third parties).

Where the phrase "to the knowledge of Acquireco" is used, such phrase shall mean, in respect of each representation and warranty or other statement which is qualified by such phrase, that such representation and warranty or other statement is being made based upon the actual knowledge of Iggy Kim-Seng Tan, Managing Director, after reasonable inquiry within Acquireco (which, for greater certainty, shall not require any new third party audits or studies or require any enquiries of third parties).

L. Entire Agreement.

This agreement, including the Plan of Arrangement, constitutes the entire agreement of

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the parties with respect to the Transactions, as of the date of this agreement, and shall supersede all agreements, understandings, negotiations and discussions whether oral or written, between the parties with respect to the Transactions on or prior to the date of this agreement, other than the Confidentiality Agreement.

M. Further Assurances.

Each party shall, from time to time, and at all times hereafter, at the request of the other party hereto, but without further consideration, do all such further acts and execute and deliver all such further documents and instruments as shall be reasonably required in order to fully perform and carry out the terms and intent hereof and of the Plan of Arrangement.

The parties shall act in a commercially reasonable manner in exercising their rights and performing their duties under this agreement.

N. Waivers and Modifications.

Target and Acquireco (for itself and on behalf of Canco) may waive or consent to the modification of, in whole or in part, any inaccuracy of any representation or warranty made to it under this agreement or in any document to be delivered pursuant to this agreement and may waive or consent to the modification of any or the obligations contained in this agreement for its benefit or waive or consent to the modification of any of the obligations of the other party. Any waiver or consent to the modification of any of the provisions of this agreement, to be effective, must be in writing executed by the party granting such waiver or consent.

O. Privacy Issues.

(a) For the purposes of this Section 11.P, the following definitions shall apply:

(i) "**applicable law**" means, in relation to any person, transaction or event, all applicable Law by which such person is bound or having application to the transaction or event in question, including applicable privacy laws;

(ii) "**applicable privacy laws**" means any and all applicable Law relating to privacy and the collection, use and disclosure of Personal Information in all applicable jurisdictions, including but not limited to the Personal Information Protection and Electronic Documents Act (Canada) and/or any comparable provincial law;

(iii) "**authorized authority**" means, in relation to any person, transaction or event, any: (A) federal, provincial, municipal or local governmental body (whether administrative, legislative, executive or otherwise), both domestic and foreign; (B) agency, authority, commission, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government; (C) court, arbitrator, commission

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or body exercising judicial, quasi-judicial, administrative or similar functions; and (D) other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange, in each case having jurisdiction over such person, transaction or event; and

(iv) "**Personal Information**" means information (other than business contact information when used or disclosed for the purpose of contacting such individual in that individual's capacity as an employee or an official of an organization and for no other purpose) about an identifiable individual disclosed or transferred to Acquireco by Target in accordance with this agreement and/or as a condition of the Arrangement.

(b) The parties hereto acknowledge that they are responsible for compliance at all times with applicable privacy laws which govern the collection, use or disclosure of Personal Information disclosed to either party pursuant to or in connection with this agreement (the "**Disclosed Personal Information**").

(c) Prior to the completion of the Arrangement, neither party shall use or disclose the Disclosed Personal Information for any purposes other than those related to the performance of this agreement and the completion of the Arrangement. After the completion of the transactions contemplated herein, a party may only collect, use and disclose the Disclosed Personal Information for the purposes for which the Disclosed Personal Information was initially collected from or in respect of the individual to which such Disclosed Personal Information relates or for the completion of the transactions contemplated herein, unless: (i) either party shall have first notified such individual of such additional purpose, and where required by applicable law, obtained the consent of such individual to such additional purpose; or (ii) such use or disclosure is permitted or authorized by applicable law, without notice to, or consent from, such individual. Target shall notify Acquireco of the purposes for which the Disclosed Personal Information was initially collected prior to the Effective Date.

(d) Each party acknowledges and confirms that the disclosure of the Disclosed Personal Information is necessary for the purposes of determining if the parties shall proceed with the Arrangement, and that the Disclosed Personal Information relates solely to the carrying on of the business or the completion of the Arrangement.

(e) Each party acknowledges and confirms that it has taken and shall continue to take reasonable steps to, in accordance with applicable law, prevent accidental loss or corruption of the Disclosed Personal Information, unauthorized input or access to the Disclosed Personal Information, or unauthorized or unlawful collection, storage, disclosure, recording, copying, alteration, removal, deletion, use or other processing of such Disclosed Personal Information.

(f) Subject to the following provisions, each party shall at all times keep strictly

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confidential all Disclosed Personal Information provided to it, and shall instruct those employees or advisors responsible for processing such Disclosed Personal Information to protect the confidentiality of such information in a manner consistent with the parties' obligations hereunder. Prior to the completion of the Arrangement, each party shall take reasonable steps to ensure that access to the Disclosed Personal Information shall be restricted to those employees or advisors of the respective party who have a *bona fide* need to access such information in order to complete the Arrangement.

(g) Where authorized by applicable law, each party shall promptly notify the other party to this agreement of all inquiries, complaints, requests for access, variations or withdrawals of consent and claims of which the party is made aware in connection with the Disclosed Personal Information. To the extent permitted by applicable Law, the parties shall fully co-operate with one another, with the persons to whom the Personal Information relates, and any authorized authority charged with enforcement of applicable privacy laws, in responding to such inquiries, complaints, requests for access, variations or withdrawals of consent and claims.

(h) Upon the expiry or termination of this agreement, or otherwise upon the reasonable request of either party, the other party shall forthwith cease all use of the Disclosed Personal Information acquired by it in connection with this agreement and will return to the requesting party or, at the requesting party's request, destroy in a secure manner, the Disclosed Personal Information (and any copies thereof) in its possession.

P. Liability.

No director or officer of Acquireco or Canco shall have any personal liability whatsoever to Target or any third party beneficiary under this agreement, or any other document delivered in connection with the Transactions contemplated hereby on behalf of Acquireco or Canco. No director or officer of Target shall have any personal liability whatsoever to Acquireco or Canco under this agreement, or any other document delivered in connection with the Transactions contemplated hereby on behalf of Target.

Q. Schedules.

The following are the Schedules to this agreement, which form an integral part hereof:

Schedule A	–	Definitions
Schedule B	–	Plan of Arrangement, including Provisions Attaching to the Exchangeable Shares
Schedule C	–	Mutual Conditions
Schedule D	–	Conditions in Favour of Target
Schedule E	–	Conditions in Favour of Acquireco and Canco
Schedule F	–	Representations and Warranties of Target
Schedule G	–	Representations and Warranties of Acquireco

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Schedule H	–	
Schedule I	–	Support Agreement
Schedule J	–	Voting and Exchange Trust Agreement
Schedule K	–	Acquireco Convertible Note

R. Counterparts.

This agreement may be signed in any number of counterparts (by facsimile or otherwise), each of which shall be deemed to be original and all of which, when taken together, shall be deemed to constitute one and the same instrument. It shall not be necessary in making proof of this agreement to produce more than one counterpart.

S. Date For Any Action.

In the event that any date on which any action is required to be taken hereunder by any of the parties is not a business day, such action shall be required to be taken on the next succeeding day which is a business day

T. Interpretation.

When a reference is made in this agreement to a Section or Sections, Exhibit or Schedule, such reference shall be to a Section or Sections of, or an Exhibit or Schedule to, this agreement unless otherwise indicated. The table of contents and headings contained in this agreement are for reference purposes only and shall not affect in any way the meaning, construction or interpretation of this agreement.

U. Severability.

If any term or other provision of this agreement is invalid, illegal or incapable of being enforced by any rule or Law, or public policy, all other conditions and provisions of this agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the Transactions is not affected in any manner Materially Adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the Transactions are fulfilled to the maximum extent possible.

*** * * * ***

[*Signature page follows*]

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IN WITNESS WHEREOF, each of the parties hereto has executed this agreement as of the date first written above.

LITHIUM ONE INC.

By: _____

Name: MARTIN ROWLEY

Title: CHAIRMAN & DIRECTOR

GALAXY RESOURCES LIMITED

By: _____

Name:

Title:

By: _____

Name:

Title:

GALAXY LITHIUM ONE INC.

By: _____

Name:

Title:

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IN WITNESS WHEREOF, each of the parties hereto has executed this agreement as of the date first written above.

LITHIUM ONE INC.

By: _____
Name:
Title:

GALAXY RESOURCES LIMITED

By: _____
Name: Iggy Tan
Title: Director

By: _____
Name: Andrew Meloncelli
Title: Secretary

GALAXY LITHIUM ONE INC.

By: _____
Name: Iggy Tan
Title: Director

Andrew Meloncelli
Director

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SCHEDULE A
DEFINITIONS

"**Acquireco**" means Galaxy Resources Limited ABN 11 071 976 442, a corporation incorporated under the laws of Australia.

"**Acquireco Circular**" has the meaning set out in Section 1.D.

"**Acquireco Convertible Notes**" means the convertible notes to be issued by Acquireco at the Effective Time in the form attached as Schedule K.

"**Acquireco Data Room**" means the electronic data room named "Project Gulfstream2" located at https//dataroom.galaxyresources.com.au/ProjectGulfStream2.

"**Acquireco Disclosure Statement**" means the statement delivered by Acquireco to Target concurrently with the execution of this agreement (in materially and substantially the form reviewed by Target prior to execution of this agreement).

"**Acquireco Information**" means all information (including all financial information, historical, *pro forma* or otherwise) as may be reasonably requested by Target or as required by the Interim Order or applicable Laws to be disclosed in the Target Circular and any amendment or supplement thereto with respect to Acquireco, Canco and their respective businesses and properties and any securities to be issued by Acquireco or Canco in connection with the Arrangement, including all information required for the Target Circular to provide full, true and plain disclosure of all material facts relating to the securities of Acquireco and Canco to be issued in connection with this agreement, including under the Plan of Arrangement.

"**Acquireco Property**" has the meaning set out in Section (r) of Schedule G.

"**Acquireco Public Disclosure Documents**" has the meaning set out in Section (e) of Schedule G.

"**Acquireco Share Consideration**" has the meaning ascribed to the term "Acquireco Share Consideration" in the Plan of Arrangement.

"**Acquireco Shareholders**" means the holders of ordinary shares of Acquireco.

"**Acquireco Shares**" means the fully paid ordinary shares of Acquireco.

"**Acquireco Special Meeting**" means a meeting of the shareholders of Acquireco, including any postponement or adjournment thereof, to be called and held in accordance with the *Corporations Act 2001* and the Listing Rules of the ASX to obtain the Acquireco Shareholder Approval.

"**Acquireco Shareholder Approval**" means all Acquireco approvals which are necessary under any applicable Law for the purpose, or in pursuance, of the Transactions,

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including but not limited to approval for: (i) the issue of the Acquireco Share Consideration, the Exchangeable Share Consideration and the Acquireco Convertible Notes in accordance with the Listing Rules of the ASX; and (ii) the issue of the Special Voting Shares in accordance with the *Corporations Act, 2001* and the constitution of Acquireco, to be obtained at the Acquireco Special Meeting by the passing of appropriate resolutions by the requisite majorities of Acquireco Shareholders, represented in person or by proxy at the Acquireco Special Meeting

"**Acquisition Proposal**" means, other than the transactions contemplated in this agreement, any proposal or offer with respect to any transaction (by purchase, merger, amalgamation, arrangement, business combination, liquidation, dissolution, recapitalization, take-over bid or otherwise) made after the date hereof relating to: (i) any acquisition, sale, lease, long-term supply agreement or other arrangement having the same economic effect as a sale, direct or indirect, of: (a) the assets of a Principal Party and/or one or more of its subsidiaries that, individually or in the aggregate, constitute 20% or more of the fair market value of the consolidated assets of such Principal Party and its subsidiaries taken as a whole; or (b) 20% or more of any voting or equity securities of a Principal Party or any of its subsidiaries whose assets, individually or in the aggregate, constitute 20% or more of the fair market value of the consolidated assets of such Principal Party and its subsidiaries, taken as a whole; (ii) any take-over bid, tender offer or exchange offer for any class of voting or equity securities of a Principal Party; or (iii) a plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or other similar transaction involving a Principal Party or any of its subsidiaries whose assets, individually or in the aggregate, constitute 20% or more of the fair market value of the consolidated assets of such Principal Party and its subsidiaries, taken as a whole.

"**Acquireco Voting Support Agreements**" means the agreements entered into on or prior to the date hereof between Target and certain Acquireco Shareholders with respect to the voting of Acquireco Shares in favour of the Transactions.

"**Acquisition Financing**" means the public offering of Acquireco Shares to be conducted by Acquireco following the first public announcement of the Transactions contemplated herein.

"**Act**" or the "**OBCA**" means the *Business Corporations Act* (Ontario), as amended.

"**affiliate**" has the meaning corresponding to "**affiliated companies**" in the *Securities Act* (Ontario), as amended.

"**Agency**" means any domestic or foreign court, tribunal, federal, state, provincial or local government or governmental agency, department or authority or other regulatory authority (including the TSX-V and the Australian Securities Exchange) or administrative agency or commission (including the Securities Commissions and the Australian Securities & Investments Commission) or any elected or appointed public official.

"**AIFRS**" means International Financial Reporting Standards.

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"**Arrangement**" means an arrangement under Section 182 of the OBCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations thereto made in accordance with this agreement (including the Plan of Arrangement) or made at the direction of the Court.

"**ASX**" means the Australian Securities Exchange, or any successor exchange.

"**Authorized Capital**" has the meaning set out in Section (c) of Schedule F.

"**business day**" means any day other than a Saturday, Sunday, a public holiday or a day on which commercial banks are not open for business in Toronto, Ontario, or Perth, Western Australia, under applicable Law.

"**Business Personnel**" has the meaning set out in Section (n) of Schedule F.

"**Callco**" means Galaxy Lithium One (Québec) Inc. a corporation incorporated under the laws of the Province of Québec that is (i) a direct subsidiary of Acquireco or (ii) any other direct or indirect wholly-owned subsidiary of Acquireco designated by Acquireco from time to time in replacement thereof.

"**Canco**" means, Galaxy Lithium One Inc., a corporation incorporated under the laws of the Province of Québec that issues the Exchangeable Shares pursuant to the Arrangement.

"**Cap**" has the meaning set out in Section 9.B of this agreement.

"**Change of Recommendation**" has the meaning set out in Section 6.B.C.

"**Competition Act**" means the *Competition Act* (Canada).

"**Confidentiality Agreement**" means the confidentiality agreement dated April 6, 2011 between Target and Acquireco.

"**Contract**" has the meaning set out in Section (d) of Schedule F.

"**Court**" means the Ontario Superior Court of Justice (Commercial List).

"**CRA**" means the Canada Revenue Agency.

"**Data Room Information**" means:

(a) in respect of Target, documents relating to the Target Group provided by or on behalf of Target (including documents posted on Target's electronic data site as at 15 March 2012) to Acquireco or its counsel on or before the execution of this agreement; and

(b) in respect of Acquireco, documents relating to Acquireco and its Subsidiaries provided by or on behalf of Acquireco (including documents posted on

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Acquireco's electronic data site as at 28 March 2012) to Acquireco or its counsel on or before the execution of this agreement

"**Depositary**" has the meaning set forth in Section 4.I of this agreement.

"**Director**" means the Director appointed pursuant to Section 278 of the OBCA.

"**disclosed in writing**" means actually disclosed in writing (as the case requires) by:

(a) Target to Acquireco or its advisors, or included in the Data Room Information for Target or in the Target Disclosure Statement; or

(b) Acquireco to Target or its advisors, or included in the Data Room Information for Acquireco or in the Acquireco Disclosure Statement,

in each case prior to the execution of this agreement.

"**Dissenting Shareholders**" means holders of Target Shares that have exercised Dissent Rights and are ultimately entitled to be paid the fair value of their Target Shares as determined in accordance with the Plan of Arrangement.

"**Dissent Rights**" has the meaning set out in Section 3.1 of the Plan of Arrangement.

"**Effective Date**" means the date on or before the Outside Date on which the Arrangement becomes effective in accordance with the OBCA and the Final Order.

"**Effective Time**" means 12:01 a.m. on the Effective Date.

"**Employee Benefit Plan**" means any employee benefit plan, program, policy, practices or other arrangement providing benefits to any current or former employee, officer, consultant or director of Target or any of its Subsidiaries or any beneficiary or dependent thereof that is sponsored or maintained by Target or any of its Subsidiaries or to which Target or any of its Subsidiaries contributes or is obligated to contribute or with respect to which Target or any of its Subsidiaries may have liabilities, whether or not written, and any bonus, incentive, deferred compensation, vacation, stock purchase, stock option, severance, employment, change of control or fringe benefit plan, program or agreement.

"**Employment Agreement**" means a contract, offer, letter or agreement of Target or of any of its Subsidiaries with or addressed to any individual who is rendering or has rendered services thereto as an employee or consultant pursuant to which Target or any of its Subsidiaries has any actual or contingent liability or obligation to provide compensation and/or benefits in consideration for past, present or future services.

"**Environmental Approvals**" means all permits, certificates, licences, authorizations, consents, instructions, registrations, directions or approvals issued or required by any Governmental Entity pursuant to any Environmental Law.

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"**Environmental Laws**" means all applicable Laws, including applicable common law, relating to the protection of the environment and employee and public health and safety.

"**Exchangeable Share Consideration**" has the meaning ascribed thereto in the Plan of Arrangement.

"**Exchangeable Shares**" means the exchangeable shares in the capital of Canco as more particularly described in Appendix I to the Plan of Arrangement.

"**Exchange Time**" has the meaning set out in Section 1.1 of Schedule B.

"**Fairness Opinion**" means the oral opinion of the Financial Advisor to the board of directors of Target to the effect that, as of the date of the opinion, the consideration to be received by Target Shareholders pursuant to the Arrangement is fair to Target Shareholders (other than Acquireco and its affiliates) from a financial point of view.

"**Filed Acquireco Public Disclosure Documents**" has the meaning set out in Section (e) of Schedule G.

"**Filed Target Public Disclosure Documents**" has the meaning set out in Section (g) of Schedule F.

"**Final Order**" means the final order of the Court approving the Arrangement, as such order may be amended by the Court at any time before the Effective Time, or if appealed, unless that appeal is withdrawn or denied, as affirmed or as amended on appeal.

"**Financial Advisor**" means BMO Nesbitt Burns Inc.

"**GAAP**" means, in relation to any financial year beginning on or before December 31, 2010, generally accepted accounting principles in Canada as then set out in the Canadian Institute of Chartered Accountants Handbook, and, in relation to any financial year beginning after December 31, 2010, generally accepted accounting principles as set out in the Canadian Institute of Chartered Accountants Handbook for an entity that prepares its financial statements in accordance with International Financial Reporting Standards.

"**Governmental Entity**" means any applicable (i) multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau, agency or entity, whether domestic or foreign, (ii) any subdivision, agency, commission, board or authority of any of the foregoing, or (iii) any quasi governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing.

"**Hazardous Substance**" means any chemical, material or substance in any form, whether solid, liquid, gaseous, semisolid or any combination thereof, whether waste material, raw material, finished product, intermediate product, byproduct or any other material or article, that is listed or regulated under any Environmental Laws as a hazardous substance, toxic substance, waste or contaminant or is otherwise listed or

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regulated under any Environmental Laws because it poses a hazard to human health or the environment, including petroleum products, asbestos, PCBs, urea formaldehyde foam insulation and lead-containing paints or coatings.

"**including**" means "including without limitation" and "**includes**" means "includes without limitation."

"**Indemnified Persons**" has the meaning ascribed in Section 9.A of this agreement.

"**Interim Order**" means an interim order of the Court, as may be amended, providing for, among other things, the calling and holding of the Target Special Meeting.

"**ITA**" means the *Income Tax Act* (Canada), as amended.

"**Law**" means all laws, statutes, by-laws, rules, regulations, orders, decrees, ordinances, protocols, codes, guidelines, policies, notices, directions and judgements or other requirements of any Agency.

"**Liens**" has the meaning set out in Section (b) of Schedule F.

"**Material Employment Agreement**" means an Employment Agreement pursuant to which Target or any of its Subsidiaries has or could have an obligation to provide compensation and/or benefits (including, without limitation, severance pay or benefits) in an amount or having a value in excess of $100,000 per year.

"**Materially Adverse**" means, with respect to a person, a fact, circumstance, change, effect, occurrence, event or state of facts that, individually or in the aggregate, is or would reasonably be expected to (A) materially and adversely affect the financial condition, operations, results of operations, business, prospects, assets or capital of that person, or (B) prevent such person from performing its obligations under this agreement, the Transactions or any other agreement contemplated hereby or thereby; provided that, except as hereinafter set forth in this definition, no fact, circumstance, change, effect, occurrence, event or state of facts relating to any of the following, individually or in the aggregate, shall be considered Materially Adverse, solely as contemplated in (A) above, (i) any change in the trading price or trading volume of Target Shares or Acquireco Shares, as the case may be; (ii) conditions generally affecting the mining industry as a whole; (iii) any change in the market price of Lithium; (iv) any change in generally acceptable accounting principles; (v) any change in applicable Laws; (vi) any matters disclosed in this agreement in the Target Disclosure Statement or in the Acquireco Disclosure Statement; (vii) any action or inaction taken by Target or any of its Subsidiaries or Acquireco or any of its Subsidiaries, as the case may be, to which the other party has expressly consented in writing or as expressly permitted by this agreement; or (viii) a decline in the TSX-V level following the date hereof; it being understood that any cause of any change referred to in clause (i) above may be taken into consideration when determining whether a fact, circumstance, change, effect, occurrence, event or state of facts is Materially Adverse; it being further understood that any fact, circumstance, change, effect, occurrence, event or state of facts referred to in clauses (ii), (iii) and (iv) above may nevertheless be taken into consideration when determining

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whether a fact, circumstance, change, effect, occurrence, event or state of facts is Materially Adverse to the extent that any such circumstance, change, effect, occurrence, event or state of facts disproportionately impacts the financial condition, operations, results of operations, business, prospects, assets or capital of that person relative to other participants in such person's industry.

"**MI 61-101**" means Multilateral Instrument 61-101 – -Protection of Minority Security Holders in Special Transactions.

"**Outside Date**" means August 31, 2012 or such later date to which each of Target and Acquireco may agree in writing.

"**person**" includes any individual, firm, partnership, limited partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, Agency, syndicate or other entity, whether or not having legal status.

"**Plan**" means any Employee Benefit Plan.

"**Plan of Arrangement**" means the plan of arrangement in the form and content of Schedule B annexed to the Arrangement Agreement, and any amendments or variations thereto made in accordance with Section 7.B of the Arrangement Agreement or Section 6 of the Plan of Arrangement or made at the direction of the Court.

"**Principal Parties**" means Target and Acquireco, and "**Principal Party**" means either one of them.

"**Pre-Arrangement Reorganization**" has the meaning set out in Section 4.J of this agreement.

"**Regulatory Approvals**" means those sanctions, rulings, consents, orders, waivers, exemptions, permits and other approvals of an Agency (including the lapse, without objection, of a prescribed time under a statute or regulation that states that a transaction may be implemented if a time lapses following the giving of notice of an objection being made by an Agency) required by Target, Acquireco and Canco in respect of the Transactions.

"**Release**" shall mean any release, spill, leak, discharge, abandonment, disposal, pumping, pouring, emitting, emptying, injecting, leaching, dumping, depositing, dispersing, passive migration, allowing to escape or migrate into or through the environment (including ambient air, surface water, ground water, land surface and subsurface strata or within any building, structure, facility or fixture) of any Hazardous Substance, including the abandonment or discarding of Hazardous Substances in barrels, drums, tanks or other containers, regardless of when discovered.

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"**Remedial Action**" shall mean any investigation, feasibility study, monitoring, testing, sampling, removal (including removal of underground storage tanks), restoration, clean up, remediation, closure, site restoration, remedial response or remedial work.

"**Representatives**" of a person means, collectively, the directors, officers, employees, professional advisors, agents or other authorized representatives of such person.

"**Response Period**" has the meaning set out in Section 6.E(b).

"**Securities Commissions**" means the securities regulatory authorities in each of the provinces of Canada.

"**Subsidiaries**" means in respect of a person, each of the corporate entities, partnerships and other entities over which it exercises direction or control.

"**Superior Proposal**" means any *bona fide* written Acquisition Proposal made before or after the date hereof by a third party that was not solicited in contravention of Section 6.A of this agreement, that, in the good faith determination of the board of directors of Target or Acquireco, as the case may be, (following consultation with their financial advisors, (including in the case of Target the Financial Advisor) and outside legal advisors): (i) is reasonably capable of being completed (taking into account all legal, financial, regulatory and other aspects of such proposal and the party making such proposal), (ii) is not subject to due diligence and/or access to information condition, (iii) is fully financed or is capable of being fully financed taking into account the creditworthiness of the Target or Acquireco, as the case may be, or provided that applicable securities Laws are met, and (iv) the failure to recommend such Acquisition Proposal to Target Shareholders or Acquireco Shareholders, as the case may be, would constitute a breach of its fiduciary duties under applicable Laws.

"**Target**" means Lithium One Inc., a corporation incorporated under the laws of Ontario.

"**Target Circular**" means the notice of special meeting and accompanying management information circular of Target, including all appendices thereto, to be sent to Target Securityholders in connection with the Target Special Meeting.

"**Target Compensation Warrants**" means the 250,000 compensation warrants issued to Tennessee Marketing Inc. by Target on October 27, 2010.

"**Target Convertible Notes**" means the convertible notes issued by Target.

"Target Disclosure Statement" means the statement delivered by Target to Acquireco concurrently with the execution of this agreement (in materially and substantially the form reviewed by Acquireco prior to execution of this agreement).

"**Target Group**" means collectively, Target and its Subsidiaries.

"**Target Noteholders**" means the holders of the Target Convertible Notes.

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"**Target Optionholders**" means the holders at the relevant time of Target Options.

"**Target Option Plan**" means the amended and restated stock option plan of Target effective August 25, 2010, as may be amended in accordance with this agreement.

"**Target Options**" means all options to purchase Target Shares issued pursuant to the Target Option Plan.

"**Target Plans**" has the meaning set out in Section (o) of Schedule F.

"**Target Property**" has the meaning set out in Section (v) of Schedule F.

"**Target Public Disclosure Documents**" has the meaning set out in Section (e) of Schedule F.

"**Target Securityholders**" means, collectively, the Target Shareholders, the Target Optionholders and the Target Noteholders.

"**Target Securityholder Approval**" means, collectively (i) the approval of the Arrangement by the affirmative vote of 66 2⁄3% of the votes cast at the Target Special Meeting by Target Shareholders, (ii) the approval of the Arrangement by the affirmative vote of 66 2⁄3% of the votes cast at the Target Special Meeting by Target Shareholders and Target Optionholders voting as a single class, (iii) the approval of the Arrangement by the affirmative vote of 66 2/3% of the principal amount of the Target Notes represented in person or by proxy at the Target Special Meeting; and (iv) the approval of the Arrangement by the affirmative vote of the majority of the votes cast at the Target Special Meeting by Target Shareholders in accordance with the minority approval requirements of MI 61-101.

"**Target Shareholders**" means the holders at the relevant time of Target Shares.

"**Target Shares**" means the common shares in the capital of Target.

"**Target Special Meeting**" means the special meeting of Target Securityholders, including any postponement or adjournment thereof, to be called and held in accordance with the Interim Order to consider the Arrangement.

"**Target Voting Support Agreements**" means the agreements entered into on or after the date hereof between Acquireco and certain Target Securityholders with respect to the voting of Target Shares, Target Options or Target Convertible Notes, as applicable, in favour of the Transactions.

"**Target Warrants**" means the share purchase warrants that would otherwise have been issued by Target upon conversion of the Target Convertible Notes.

"**Tax**" and "**Taxes**" has the meaning set out in Section (1) of Schedule F.

"**Tax Return**" has the meaning set out in Section (1) of Schedule F.

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"**Termination Fee**" means $3,000,000.

"**Transactions**" means the Arrangement and the other transactions related to the acquisition of Target by Acquireco contemplated by this agreement and the other agreements contemplated hereby.

"**TSX-V**" means the Toronto Venture Exchange or any successor exchange.

"**U.S. Exchange Act**" means the United States Securities Exchange Act of 1934, as amended.

"**U.S. Securities Act**" means the United States Securities Act of 1933, as amended.

"**U.S. Securities Laws**" means federal and state securities legislation of the United States and all rules, regulations and orders promulgated thereunder.

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SCHEDULE B
PLAN OF ARRANGEMENT, INCLUDING PROVISIONS ATTACHING TO THE EXCHANGEABLE SHARES

ARTICLE 1
INTERPRETATION

1.1 ***Definitions***. In this Plan of Arrangement:

"**Acquireco**" means Galaxy Resources Limited ABN 11 071976442, a corporation incorporated under the laws of Australia.

"**Acquireco Convertible Notes**" means the convertible notes to be issued by Acquireco at the Effective Time in the form attached as Schedule K to the Arrangement Agreement.

"**Acquireco Share Consideration**" means the consideration in the form of Acquireco Shares elected, or deemed to be elected, for each Target Share by a Target Shareholder (other than a Dissenting Shareholder) pursuant to Section 2.3, equal to the greater of (i) 1.80 Acquireco Shares and (ii) that number of Acquireco Shares determined by dividing $1.55 by the Canadian Dollar Equivalent of the offering price per Acquireco Share under the Acquisition Financing.

"**Acquireco Shareholders**" means the holders at the relevant time of Acquireco Shares.

"**Acquireco Shares**" means the ordinary fully paid shares in the capital of Acquireco.

"**Acquisition Financing**" means the public offering of Acquireco Shares to be conducted by Acquireco immediately following the first public announcement of the Transactions contemplated herein.

"**affiliate**" has the meaning corresponding to "affiliated companies" in the *Securities Act* (Ontario), as amended.

"**Agency**" means any domestic or foreign court, tribunal, federal, state, provincial or local government or governmental agency, department or authority or other regulatory authority (including the TSX-V and the Australian Stock Exchange or administrative agency or commission (including the Securities Commissions and the Australian Securities & Investments Commission) or any elected or appointed public official.

"**Ancillary Rights**" means the interest of a holder of Exchangeable Shares as a beneficiary of the trust created under the Voting and Exchange Trust Agreement.

"**Arrangement**" means an arrangement under Section 182 of the OBCA on the terms and subject to the conditions set out in this Plan of Arrangement, subject to any amendments or variations hereto made in accordance with this Plan of Arrangement or made at the direction of the Court.

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"**Arrangement Agreement**" means the arrangement agreement made as of March 29, 2012 between Target, Canco and Acquireco to which this Schedule B is attached and forms a part, as amended, supplemented and/or restated in accordance with its terms.

"**business day**" means any day other than a Saturday, Sunday, a public holiday or a day on which commercial banks are not open for business in Toronto, Ontario or Perth, Western Australia, under applicable Law.

"**Callco**" means Galaxy Lithium One (Québec) Inc., a corporation incorporated under the laws of Québec that is (i) a direct subsidiary of Acquireco, or (ii) any other direct or indirect wholly-owned subsidiary of Acquireco designated by Acquireco from time to time in replacement thereof.

"**Canadian Dollar Equivalent**" means in respect of an amount expressed in a currency other than Canadian dollars (the "Foreign Currency Amount") at any date the product obtained by multiplying:

(a) the Foreign Currency Amount; by

(b) the noon spot exchange rate on the business day immediately preceding such date for such foreign currency expressed in Canadian dollars as reported by the Bank of Canada or, in the event such spot exchange rate is not available, such spot exchange rate on the business day immediately preceding such date for such foreign currency expressed in Canadian dollars as may be mutually agreed upon by Acquireco and Target to be appropriate for such purpose, which determination shall be conclusive and binding.

"**Canadian Resident**" means (i) a person who is a resident of Canada for the purposes of the ITA, or (ii) a partnership that is a "Canadian partnership" for purposes of the ITA.

"**Canco**" means Galaxy Lithium One Inc., a corporation incorporated under the laws of Québec that issues the Exchangeable Shares pursuant to the Arrangement.

"**Change of Law**" means any amendment to the ITA and other applicable provincial income tax laws that permits holders of Exchangeable Shares who are resident in Canada, hold the Exchangeable Shares as capital property and deal at arm's length with Acquireco and Canco (all for the purposes of the ITA and other applicable provincial income tax laws) to exchange their Exchangeable Shares for Acquireco Shares on the basis set out in section 5.3 and will not require such holders to recognize any gain or loss or any actual or deemed dividend in respect of such exchange for the purposes of the ITA or applicable provincial income tax laws.

"**Change of Law Call Date**" has the meaning set out in Section 5.3(b).

"**Change of Law Call Purchase Price**" has the meaning set out in Section 5.3(a).

"**Change of Law Call Right**" has the meaning set out in Section 5.3(a).

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"**Court**" means the Superior Court of Justice (Commercial List).

"**CRA**" means the Canada Revenue Agency.

"**Current Market Price**" has the meaning set out in the Exchangeable Share Provisions.

"**Depositary**" means the person acting as depositary under the Arrangement.

"**Dissenting Shareholders**" means holders of Target Shares that have duly and validly exercised Dissent Rights and are ultimately entitled to be paid the fair value of their Target Shares as determined in accordance with Section 3.1.

"**Dissent Rights**" has the meaning set out in Section 3.1.

"**Dividend Amount**" means an amount equal to all declared and unpaid dividends on an Exchangeable Share held by a holder on any dividend record date which occurred prior to the date of purchase, redemption or other acquisition of such share by Callco or Acquireco from such holder.

"**Effective Date**" means the date on or before the Outside Date on which the Arrangement becomes effective in accordance with the OBCA and the Final Order.

"**Effective Time**" means 12:01 a.m. on the Effective Date.

"**Election Deadline**" means 4:30 p.m. (Toronto time) on the business day immediately prior to the date of the Target Special Meeting or, if such meeting is adjourned, such time on the business day immediately prior to the date of such adjourned meeting.

"**Eligible Holder**" means a Target Shareholder who is (i) a Canadian Resident, and (ii) not exempt from tax under Part I of the ITA (or, in the case of a partnership, none of the partners of which is exempt from tax under Part I of the ITA).

"**Exchange Time**" means the time that the steps in Sections 2.2 occur.

"**Exchangeable Elected Shares**" means Target Shares (other than Target Shares held by Acquireco or an affiliate) that the holder thereof shall have elected in accordance with Section 2.3(b) in a duly completed Letter of Transmittal and Election Form deposited with the Depositary no later than the Election Deadline to transfer to Canco under the Arrangement for the Exchangeable Share Consideration.

"**Exchangeable Share Consideration**" means the consideration in the form of Exchangeable Shares, together with Ancillary Rights elected for each Target Share by a Target Shareholder who is an Eligible Holder pursuant to Section 2.3, such election to be equal to the greater of (i) 1.80 Exchangeable Shares together with Ancilliary Rights and (ii) that number of Exchangeable Shares determined by dividing $1.55 by the Canadian Dollar Equivalent of the offering price per Acquireco Share under the Acquisition Financing.

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"**Exchangeable Share Provisions**" means the rights, privileges, restrictions and conditions attaching to the Exchangeable Shares, which rights, privileges, restrictions and conditions shall be in substantially the form set out in Appendix I hereto.

"**Exchangeable Shares**" means the exchangeable shares in the capital of Canco as more particularly described in Appendix I hereto.

"**Final Order**" means the final order of the Court approving the Arrangement, as such order may be amended by the Court, at any time before the Effective Time, or if appealed, unless that appeal is withdrawn or denied, as affirmed or as amended on appeal.

"**holder**" means an Target Shareholder or an Target Optionholder, as the context requires.

"**including**" means "including without limitation" and "**includes**" means "includes without limitation".

"**Interim Order**" means an interim order of the Court, as may be amended by the Court, providing for, among other things, the calling and holding of the Target Special Meeting.

"**ITA**" means the *Income Tax Act* (Canada), as amended.

"**Law**" means all laws, statutes, by-laws, rules, regulations, orders, decrees, ordinances, protocols, codes, guidelines, published policies, notices, directions and judgements or other requirements of any Agency, in each case having the force of law.

"**Letter of Transmittal and Election Form**" means the letter of transmittal and election form for use by holders of Target Shares, in the form accompanying the Target Circular.

"**Liquidation Amount**" has the meaning set out in the Exchangeable Share Provisions.

"**Liquidation Date**" has the meaning set out in the Exchangeable Share Provisions.

"**OBCA**" means the *Business Corporation Act* (Ontario).

"**Outside Date**" means 31 August 2012 or such later date to which each of Target and Acquireco may agree in writing.

"**person**" includes any individual, firm, partnership, limited partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, Agency, syndicate or other entity, whether or not having legal status.

"**Plan of Arrangement**" means this plan of arrangement.

"**QBCA**" means the Business Corporations Act (Quebec), as amended.

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"**Redemption Call Purchase Price**" has the meaning set out in Section 5.2(a).

"**Redemption Call Right**" has the meaning set out in Section 5.2(a).

"**Redemption Date**" has the meaning set out in the Exchangeable Share Provisions.

"**Securities Commission**" means the securities regulatory authorities in each of the provinces of Canada.

"**Special Voting Shares**" means the special voting shares in the capital of Acquireco having substantially the rights, privileges, restrictions and conditions described in the Voting and Exchange Trust Agreement.

"**Support Agreement**" means an agreement to be made among Acquireco, Callco and Canco in connection with this Plan of Arrangement substantially in the form and substance of Schedule I to the Arrangement Agreement.

"**Target Circular**" means the notice of special meeting and accompanying management information circular of Target, including all appendices thereto, to be sent to Target Shareholders and Target Optionholders in connection with the Target Special Meeting.

"**Target Compensation Warrants**" means the 250,000 compensation warrants issued to Tennessee Marketing Inc. by Target on October 27, 2010.

"**Target Convertible Notes**" means the convertible notes issued by Target from time to time.

"**Target Noteholders**" means the holders of the relevant time of Target Convertible Notes.

"**Target Optionholders**" means the holders at the relevant time of Target Stock Options.

"**Target Shares**" means common shares in the capital of Target.

"**Target Shareholders**" means the holders at the relevant time of Target Shares.

"**Target Special Meeting**" means the special meeting of Target Shareholders, including any adjournment thereof, to be called and held in accordance with the Interim Order to consider the Arrangement.

"**Target Stock Options**" means options to purchase Target Shares issued pursuant to Target's amended and restated stock option plan effective August 25, 2010, as amended.

"**Tax Election Package**" means two copies of CRA form T-2057, or, if the Target Shareholder is a partnership, two copies of CRA form T-2058 and two copies of any applicable equivalent provincial or territorial election form, which forms have been duly and properly completed and executed by the Acquireco Shareholder in accordance with the rules contained in the ITA or the relevant provincial legislation.

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"**Transfer Agent**" means Computershare Investor Services Inc. or such other person as may from time to time be appointed by Canco as the registrar and transfer agent for the Exchangeable Shares.

"**TSX-V**" means the Toronto Venture Exchange or any successor exchange.

"**Voting and Exchange Trust Agreement**" means an agreement to be made among Acquireco, Canco and the Trustee (as defined in the Exchangeable Share Provisions) in connection with this Plan of Arrangement substantially in the form of Schedule J to the Arrangement Agreement.

1.2 ***Headings and References***. The division of this Plan of Arrangement into Sections and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Plan of Arrangement. Unless otherwise specified, references to Sections are to Sections of this Plan of Arrangement.

1.3 ***Currency***. Except as expressly indicated otherwise, all sums of money referred to in this Plan of Arrangement are expressed and shall be payable in Canadian dollars.

1.4 ***Time***. Time shall be of the essence in each and every matter or thing herein provided. Unless otherwise indicated, all times expressed herein are local time at Toronto, Ontario.

ARTICLE 2
THE ARRANGEMENT

2.1 ***Binding Effect***. Subject to the terms of the Arrangement Agreement, the Arrangement will become effective at the Effective Time and be binding at and after the Effective Time on Target, Acquireco, Canco and Callco and all holders and beneficial holders of Target Shares and Target Options and Target Compensation Warrants.

2.2 ***The Arrangement***. Commencing at the Effective Time on the Effective Date, subject to the terms and conditions of the Arrangement Agreement, the following steps shall occur as part of the Arrangement and shall be deemed to occur in the following sequence without any further act or formality:

(a) At the Effective Time, all Target Options with an exercise price less than $1.55, shall be deemed to be fully vested and exercised on a cashless basis free and clear of all Liens, and the Target Optionholders shall receive, in respect of each such Target Option a fraction of a Target Share, with such fraction being calculated according the formula the numerator of which shall be equal to the difference between $1.55 and the exercise price for such Target Option and the denominator of which shall be equal to $1.55; provided, however, that if the aggregate number of Acquireco Shares that would otherwise be required to be issued to a holder as consideration for such holder's Target Options would result in a fraction of a Acquireco Share being issuable, the number of Acquireco Shares to be received by such holder will be rounded up;

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(b) Any Target Options which are not "in-the-money" shall immediately expire and be terminated without any consideration therefor;

(c) At the Effective Time, the holder of the 250,000 Target Compensation Warrants shall receive, in respect of each such Target Compensation Warrant a fraction of a Target Share, with such fraction being calculated according the formula the numerator of which shall be equal to the difference between $1.55 and the exercise price for such Compensation Warrant and the denominator of which shall be equal to $1.55. For greater certainty, all Target Compensation Warrants will expire and terminate on the Effective Date;

(d) Five minutes after the Effective Time, each issued and outstanding Target Share (other than Exchangeable Elected Shares and other than Target Shares held by Acquireco or an affiliate thereof or Dissenting Shareholders) held by a Target Shareholder shall be exchanged with Canco for the Acquireco Share Consideration in accordance with Section 2.3;

(e) Five minutes after the Effective Time, each Exchangeable Elected Share shall be exchanged with Canco for Exchangeable Share Consideration in accordance with the election of such Target Shareholder pursuant to Section 2.3;

(f) Five minutes after the Effective Time, Acquireco, Canco and Callco shall execute the Support Agreement and Acquireco, Canco and the Transfer Agent shall execute the Voting and Exchange Trust Agreement and Acquireco shall issue to and deposit with the Transfer Agent the Special Voting Shares in consideration of the payment to Acquireco by Target on behalf of the Target Shareholders of one dollar ($1.00), to be thereafter held of record by the Transfer Agent as trustee for and on behalf of, and for the use and benefit of, the holders of the Exchangeable Shares in accordance with the Voting and Exchange Trust Agreement. All rights of holders of Exchangeable Shares under the Voting and Exchange Trust Agreement shall be received by them as part of the property receivable by them under Section 2.2(d) in exchange for the Exchangeable Elected Shares for which they were exchanged;

(g) Each Target Convertible Note shall be exchanged for an Acquireco Convertible Note; and

(h) Each of Paul Matysek and Martin Rowley shall be appointed as directors of Acquireco.

2.3 ***Consideration Elections***.

With respect to the exchange of securities effected pursuant to Section 2.2:

(a) Target Shareholders other than Eligible Holders shall receive, in respect of each Target Share exchanged, the Acquireco Share Consideration;

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(b) Target Shareholders who are Eligible Holders may elect to (i) receive in respect of any or all of their Target Shares, the Exchangeable Share Consideration; and (ii) receive in respect of the balance of their Target Shares, if any, the Acquireco Share Consideration;

(c) such elections as provided for in Section 2.3(b) shall be made by depositing with the Depositary, prior to the Election Deadline, a duly completed Letter of Transmittal and Election Form indicating such Target Shareholder's election, together with any certificates representing such holder's Target Shares; and

(d) any Target Shareholder who does not deposit with the Depositary a duly completed Letter of Transmittal and Election Form prior to the Election Deadline, or otherwise fails to comply with the requirements of Section 2.3(c) and the Letter of Transmittal and Election Form in respect of any such Target Shareholder's Target Shares, shall be deemed to have elected to receive the Acquireco Share Consideration in respect of each such Target Share.

2.4 ***Income Tax Elections***.

Target Shareholders who are Eligible Holders who are entitled to receive Exchangeable Share Consideration under the Arrangement shall be entitled to make an income tax election pursuant to subsection 85(1) of the ITA or, if the person is a partnership, subsection 85(2) of the ITA (and in each case, where applicable, the analogous provisions of provincial income tax Law) with respect to the transfer of their Target Shares to Canco by providing the Tax Election Package to the Depositary within 90 days following the Effective Date, duly completed with the details of the number of Target Shares transferred and the applicable agreed amounts (which cannot be less than the fair market value of the Ancillary Rights at the Exchange Time). Thereafter, subject to the Tax Election Package being correct and complete (for which Canco takes no responsibility as to the correctness or completeness thereof) and complying with the provisions of the ITA (or applicable provincial income or corporate tax Law), the relevant forms will be signed by Canco and returned to such persons within 90 days after the receipt thereof by the Depositary for filing with the CRA (or the applicable provincial taxing Agency) by such persons. Canco will not be responsible for the proper or accurate completion of the Tax Election Package or to check or verify the content of any election form and, except for Canco's obligation to return duly completed Tax Election Packages which are received by the Depositary within 90 days of the Effective Date, within 90 days after the receipt thereof by the Depositary, Canco will not be responsible for any taxes, interest or penalties or any other costs or damages resulting from the failure by a Target Shareholder to properly and accurately complete or file the necessary election forms in the prescribed form and manner and within the time prescribed by the ITA (or any applicable provincial legislation). In its sole discretion, Canco may choose to sign and return Tax Election Packages received more than 90 days following the Effective Date, but Canco will have no obligation to do so.

2.5 ***Share Registers***. Every Target Shareholder from whom a Target Share is acquired pursuant to the Arrangement shall be removed from the register of holders of Target Shares at the time of that acquisition pursuant to the Arrangement and shall cease to have any rights in respect of such Target Shares, and Canco shall become the holder of such Target Shares and

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shall be added to that register at that time and shall be entitled as of that time to all of the rights and privileges attached to the Target Shares. Every Target Shareholder who acquires Exchangeable Shares or Acquireco Shares pursuant to the Arrangement shall be added to the register of holders of Exchangeable Shares or Acquireco Shares, respectively, and shall be entitled as of the time of the exchange to all of the rights and privileges attached to the Exchangeable Shares or Acquireco Shares, as the case may be.

2.6 ***Adjustments to Consideration***. The consideration to be paid pursuant to Sections 2.2(a), 2.2(c) and 2.2(d) shall be adjusted to reflect fully the effect of any stock split, reverse split, stock dividend (including any dividend or distribution of securities convertible into Acquireco Shares or Target Shares, other than stock dividends paid in lieu of ordinary course dividends), reorganization, recapitalization or other like change with respect to Acquireco Shares or Target Shares occurring after the date of the Arrangement Agreement and prior to the Effective Time.

ARTICLE 3
DISSENT RIGHTS

3.1 Holders of Target Shares may exercise rights of dissent with respect to those Target Shares pursuant to, and (except as expressly indicated to the contrary in this Section 3.1), in the manner set forth in, Section 185 of the OBCA and this Section 3.1 (the "**Dissent Rights**") in connection with the Arrangement; provided that, notwithstanding Section 185(6) of the OBCA, the written objection to the resolution approving the Arrangement referred to in Section 185(6) of the OBCA must be received by Target not later than 4:30 p.m. (Toronto time) on the business day before the Target Special Meeting; and provided further that, notwithstanding the provisions of Section 185 of the OBCA, Target Shareholders who duly exercise Dissent Rights and who:

(a) ultimately are determined to be entitled to be paid fair value for their Target Shares shall be entitled to a payment in cash equal to such fair value, which fair value, notwithstanding anything to the contrary contained in Section 185 of the OBCA, shall be determined as of the Exchange Time and shall be deemed to have transferred those Target Shares in respect of which Dissent Rights have been duly and validly exercised as of the Exchange Time at the fair value of the Target Shares determined as of the Exchange Time, without any further act or formality and free and clear of all liens and claims, to Canco; or

(b) ultimately are determined not to be entitled, for any reason, to be paid fair value for their Target Shares, shall be deemed to have participated in the Arrangement on the same basis as a holder of Target Shares who has not exercised Dissent Rights and, if an Eligible Holder, shall be deemed to have elected to receive, and shall receive, the consideration provided in Section 2.3(d), but in no case shall Target, Acquireco, Canco, the Depositary or any other person be required to recognize any such holder as a holder of Target Shares on or after the Exchange Time, and the names of each such holder shall be deleted from the register of holders of Target Shares at the Exchange Time.

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ARTICLE 4
SHARE DEPOSIT

4.1 ***Share Deposit***. Prior to the Effective Time, Canco shall deposit or cause to be deposited with the Depositary, for the benefit of the holders of Target Shares, the aggregate number of whole Exchangeable Shares and the aggregate number of whole Acquireco Shares issuable under the Arrangement. Upon surrender to the Depositary for cancellation of a certificate which immediately prior to the Exchange Time represented Target Shares that were exchanged under the Arrangement, together with a duly completed Letter of Transmittal and Election Form and such other documents and instruments as the Depositary may reasonably require, the holder of such surrendered certificate shall be entitled to receive, and promptly after the Exchange Time the Depositary shall deliver to such person written evidence of the book entry issuance in uncertificated form to, or certificates registered in the name of, such person representing that number of Exchangeable Shares and/or Acquireco Shares which such person is entitled to receive less any amounts withheld pursuant to Section 4.6, and any certificate so surrendered shall forthwith be cancelled. In the event of a transfer of ownership of such Target Shares which was not registered in the transfer records of Target, written evidence of the book entry issuance of, or certificates representing, the number of Exchangeable Shares and/or Acquireco Shares issuable to the registered holder may be registered in the name of and issued to the transferee if the certificate representing such Target Shares is presented to the Depositary, accompanied by a duly completed Letter of Transmittal and Election Form and all documents required to evidence and effect such transfer. Without limiting the provisions of Sections 2.6 and 4.5, until surrendered as contemplated by this Section 4.1, each certificate which immediately prior to the Exchange Time represented one or more outstanding Target Shares that, under the Arrangement, were exchanged pursuant to Section 2.2(d) and 2.2(e), shall be deemed at all times after the Exchange Time to represent only the right to receive upon such surrender (i) the consideration to which the holder thereof is entitled under the Arrangement, or as to a certificate held by a Dissenting Shareholder (other than a shareholder who exercised Dissent Rights who is deemed to have participated in the Arrangement pursuant to Section 3.1(b)), to receive the fair value of the Target Shares represented by such certificate, and (ii) any dividends or distributions with a record date after the Exchange Time theretofore paid or payable with respect to any Exchangeable Shares or Acquireco Shares issued in exchange therefor as contemplated by Section 4.2, in each case less any amounts withheld pursuant to Section 4.6.

4.2 ***Distributions with Respect to Unsurrendered Certificates***. No dividends or other distributions paid, declared or made with respect to Exchangeable Shares or Acquireco Shares, in each case with a record date after the Exchange Time, shall be paid to the holder of any unsurrendered certificate which immediately prior to the Exchange Time represented outstanding Target Shares unless and until such person shall have complied with the provisions of Section 4.1. Subject to applicable Law, and to the provisions of Section 4.5, at the time such person shall have complied with the provisions of Section 4.1 (or, in the case of clause (iii) below, at the appropriate payment date), there shall be paid to such person, without interest (i) the amount of dividends or other distributions with a record date after the Exchange Time theretofore paid with respect to the Exchangeable Share or the Acquireco Share, as the case may be, to which such person is entitled pursuant hereto, and (ii) on the appropriate payment date, the amount of dividends or other distributions with a record date after the Exchange Time but prior to the date of compliance by such person with the provisions of Section 4.1 and a payment date subsequent

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to the date of such compliance and payable with respect to such Exchangeable Shares or Acquireco Shares, as the case may be.

4.3 ***No Fractional Shares***. No fractional Exchangeable Shares or fractional Acquireco Shares shall be issued upon compliance with the provisions of Section 4.1 and no dividend, stock split or other change in the capital structure of Canco or Acquireco shall relate to any such fractional security and such fractional interests shall not entitle the owner thereof to exercise any rights as a security holder of Canco or Acquireco. All such fractional Exchangeable Shares or fractional Acquireco Shares shall be rounded up.

4.4 ***Lost Certificates***. In the event any certificate which immediately prior to the Exchange Time represented one or more outstanding Target Shares that were exchanged pursuant to Section 3.2 shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to be lost, stolen or destroyed, the Depositary will issue in exchange for such lost, stolen or destroyed certificate, any cash and/or Exchangeable Shares or Acquireco Shares (and any dividends or distributions with respect thereto) deliverable in accordance with Section 2.2 and such holder's Letter of Transmittal and Election Form. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the person to whom cash (if any) and/or Exchangeable Shares or Acquireco Shares are to be issued shall, as a condition precedent to the issuance thereof, give a bond satisfactory to Target, Canco, Acquireco and their respective transfer agents in such amount as Target, Canco or Acquireco may direct or otherwise indemnify Target, Canco and Acquireco in a manner satisfactory to Target, Canco and Acquireco against any claim that may be made against Target, Canco or Acquireco with respect to the certificate alleged to have been lost, stolen or destroyed.

4.5 ***Extinction of Rights***. Any certificate which immediately prior to the Exchange Time represented outstanding Target Shares that were exchanged pursuant to Section 2.2 that is not deposited with all other instruments required by Section 4.1 on or prior to the date of the notice referred to in Section 7(2) of the Exchangeable Share Provisions shall cease to represent a claim or interest of any kind or nature as a securityholder of Canco or Acquireco. On such date, the cash and/or Exchangeable Shares and/or Acquireco Shares to which the former holder of the certificate referred to in the preceding sentence was ultimately entitled shall be deemed to have been surrendered for no consideration to Canco. None of Acquireco, Target, Canco, Callco or the Depositary shall be liable to any person in respect of any cash delivered to a public official pursuant to any applicable abandoned property, escheat or similar Law.

4.6 ***Withholding Rights***. Target, Canco, Callco, Acquireco and the Depositary shall be entitled to deduct and withhold from any dividend, price or consideration otherwise payable to any holder of Target Options, Target Compensation Warrants, Target Shares, Acquireco Shares or Exchangeable Shares such amounts as Target, Canco, Callco, Acquireco or the Depositary is required to deduct and withhold with respect to such payment under the ITA or any other applicable Law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the holder of the securities in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing Agency. To the extent that the amount so required to be deducted or withheld from any payment to a holder exceeds the cash portion of the consideration otherwise payable to the holder, Target, Canco, Callco, Acquireco and the

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Depositary are hereby authorized to sell or otherwise dispose of such other portion of the consideration as is necessary to provide sufficient funds to Target, Canco, Callco, Acquireco and the Depositary, as the case may be, to enable it to comply with such deduction or withholding requirement and Target, Canco, Callco, Acquireco and the Depositary shall notify the holder thereof and remit any unapplied balance of the net proceeds of such sale.

ARTICLE 5
RIGHTS OF CALLCO TO ACQUIRE EXCHANGEABLE SHARES

5.1 ***Callco Liquidation Call Right***.

(a) Callco shall have the overriding right (the "**Liquidation Call Right**"), in the event of and notwithstanding the proposed liquidation, dissolution or winding-up of Canco or any other distribution of the assets of Canco among its shareholders for the purpose of winding up its affairs, pursuant to Section 5 of the Exchangeable Share Provisions, to purchase from all but not less than all of the holders of Exchangeable Shares (other than any holder of Exchangeable Shares which is Acquireco or an affiliate of Acquireco) on the Liquidation Date all but not less than all of the Exchangeable Shares held by each such holder on payment by Callco of an amount per share (the "**Liquidation Call Purchase Price**") equal to the Current Market Price of Acquireco Shares on the last business day prior to the Liquidation Date plus the Dividend Amount, which shall be satisfied in full by Callco delivering or causing to be delivered to such holder one Acquireco Share plus any Dividend Amount. In the event of the exercise of the Liquidation Call Right by Callco, each holder shall be obligated to sell all the Exchangeable Shares held by the holder to Callco on the Liquidation Date on payment by Callco to the holder of the Liquidation Call Purchase Price for each such share, and Canco shall have no obligation to pay any Liquidation Amount or Dividend Amount to the holders of such shares so purchased by Callco.

(b) To exercise the Liquidation Call Right, Callco must notify the Transfer Agent, as agent for the holders of Exchangeable Shares, and Canco of Callco's intention to exercise such right at least 45 days before the Liquidation Date in the case of a voluntary liquidation, dissolution or winding-up of Canco or any other voluntary distribution of the assets of Canco among its shareholders for the purpose of winding up its affairs, and at least five business days before the Liquidation Date in the case of an involuntary liquidation, dissolution or winding-up of Canco or any other involuntary distribution of the assets of Canco among its shareholders for the purpose of winding up its affairs. The Transfer Agent will notify the holders of Exchangeable Shares as to whether or not Callco has exercised the Liquidation Call Right forthwith after the expiry of the period during which the same may be exercised by Callco. If Callco exercises the Liquidation Call Right, then on the Liquidation Date, Callco will purchase and the holders will sell all of the Exchangeable Shares then outstanding for a price per share equal to the Liquidation Call Purchase Price.

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(c) For the purposes of completing the purchase of the Exchangeable Shares pursuant to the Liquidation Call Right, Callco shall deposit or cause to be deposited with the Transfer Agent, on or before the Liquidation Date, the aggregate number of Acquireco Shares which Callco shall deliver or cause to be delivered pursuant to Section 5.1(a) and a cheque or cheques of Callco payable at par at any branch of the bankers of Callco representing the aggregate Dividend Amount, if any, in payment of the total Liquidation Call Purchase Price, in each case less any amounts withheld pursuant to Section 4.6. Provided that Callco has complied with the immediately preceding sentence, on and after the Liquidation Date the holders of the Exchangeable Shares shall cease to be holders of the Exchangeable Shares and shall not be entitled to exercise any of the rights of holders in respect thereof (including any rights under the Voting and Exchange Trust Agreement), other than the right to receive their proportionate part of the aggregate Liquidation Call Purchase Price without interest, unless payment of the aggregate Liquidation Call Purchase Price for the Exchangeable Shares shall not be made upon presentation and surrender of share certificates in accordance with the following provisions of this Section 5.1(c), in which case the rights of the holders shall remain unaffected until the aggregate Liquidation Call Purchase Price has been paid in the manner herein provided. Upon surrender to the Transfer Agent of a certificate or certificates representing Exchangeable Shares, together with such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under the QBCA and articles of Canco and such additional documents, instruments and payments as the Transfer Agent may reasonably require, the holder of such surrendered certificate or certificates shall be entitled to receive in exchange therefor, and the Transfer Agent on behalf of Callco shall transfer to such holder, the Acquireco Shares to which such holder is entitled and as soon as reasonably practicable thereafter the Transfer Agent shall deliver to such holder written evidence of the book entry issuance in uncertificated form of the Acquireco Shares to which the holder is entitled and a cheque or cheques of Callco payable at par at any branch of the bankers of Callco representing the Dividend Amount, if any, and when received by the Transfer Agent, all dividends and other distributions with respect to such Acquireco Shares with a record date after the Liquidation Date and before the date of the transfer of such Acquireco Shares to such holder, less any amounts withheld pursuant to Section 4.6. If Callco does not exercise the Liquidation Call Right in the manner described above, on the Liquidation Date, the holders of the Exchangeable Shares will be entitled to receive in exchange therefor the Liquidation Amount otherwise payable by Canco in connection with the liquidation, dissolution or winding-up of Canco or any distribution of the assets of Canco among its shareholders for the purpose of winding up its affairs pursuant to Section 5 of the Exchangeable Share Provisions.

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5.2 ***Callco Redemption Call Right***. In addition to Callco's rights contained in the Exchangeable Share Provisions, including the Retraction Call Right (as defined in the Exchangeable Share Provisions), Callco shall have the following rights in respect of the Exchangeable Shares:

(a) Callco shall have the overriding right (the "**Redemption Call Right**"), notwithstanding the proposed redemption of the Exchangeable Shares by Canco pursuant to Section 7 of the Exchangeable Share Provisions, to purchase from all but not less than all of the holders of Exchangeable Shares (other than any holder of Exchangeable Shares which is Acquireco or an affiliate of Acquireco) on the Redemption Date all but not less than all of the Exchangeable Shares held by each such holder on payment by Callco to each holder of an amount per Exchangeable Share (the "**Redemption Call Purchase Price**") equal to the Current Market Price of a Acquireco Share on the last business day prior to the Redemption Date plus the Dividend Amount, which shall be satisfied in full by Callco delivering or causing to be delivered to such holder one Acquireco Share plus any Dividend Amount. In the event of the exercise of the Redemption Call Right by Callco, each holder shall be obligated to sell all the Exchangeable Shares held by the holder to Callco on the Redemption Date on payment by Callco to the holder of the Redemption Call Purchase Price for each such share, and Canco shall have no obligation to redeem, or to pay any Dividend Amount in respect of, such shares so purchased by Callco.

(b) To exercise the Redemption Call Right, Callco must notify the Transfer Agent, as agent for the holders of Exchangeable Shares, and Canco of Callco's intention to exercise such right at least 60 days before the Redemption Date, except in the case of a redemption occurring as a result of a Acquireco Control Transaction (as defined in the Exchangeable Share Provisions), an Exchangeable Share Voting Event or an Exempt Exchangeable Share Voting Event, in which case Callco shall so notify the Transfer Agent and Canco on or before the Redemption Date. The Transfer Agent will notify the holders of the Exchangeable Shares as to whether or not Callco has exercised the Redemption Call Right forthwith after the expiry of the period during which the same may be exercised by Callco. If Callco exercises the Redemption Call Right, on the Redemption Date Callco will purchase and the holders will sell all of the Exchangeable Shares then outstanding for a price per share equal to the Redemption Call Purchase Price.

(c) For the purposes of completing the purchase of the Exchangeable Shares pursuant to the Redemption Call Right, Callco shall deposit or cause to be deposited with the Transfer Agent, on or before the Redemption Date, the aggregate number of Acquireco Shares which Callco shall deliver or cause to be delivered pursuant to Section 5.2(a) and a cheque or cheques of Callco payable at par at any branch of the bankers of Callco representing the aggregate Dividend Amount, if any, in payment of the aggregate Redemption Call Purchase Price, in each case less any amounts withheld pursuant to Section 4.6. Provided that Callco has complied with the immediately preceding sentence, on and after the Redemption Date the holders of the Exchangeable Shares shall cease to be holders of the Exchangeable

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Shares and shall not be entitled to exercise any of the rights of holders in respect thereof (including any rights under the Voting and Exchange Trust Agreement), other than the right to receive their proportionate part of the aggregate Redemption Call Purchase Price without interest, unless payment of the aggregate Redemption Call Purchase Price for the Exchangeable Shares shall not be made upon presentation and surrender of share certificates in accordance with the following provisions of this Section 5.2(c), in which case the rights of the holders shall remain unaffected until the aggregate Redemption Call Purchase Price has been paid in the manner herein provided. Upon surrender to the Transfer Agent of a certificate or certificates representing Exchangeable Shares, together with such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under the QBCA and articles of Canco and such additional documents, instruments and payments as the Transfer Agent may reasonably require, the holder of such surrendered certificate or certificates shall be entitled to receive in exchange therefor, and the Transfer Agent on behalf of Callco shall transfer to such holder, the Acquireco Shares to which such holder is entitled and as soon as reasonably practicable thereafter the Transfer Agent shall deliver to such holder of the Acquireco Shares to which the holder is entitled and a cheque or cheques of Callco payable at par at any branch of the bankers of Callco representing the Dividend Amount, if any, and when received by the Transfer Agent, all dividends and other distributions with respect to such Acquireco Shares with a record date after the Redemption Date and before the date of the transfer of such Acquireco Shares to such holder, less any amounts withheld pursuant to Section 4.6. If Callco does not exercise the Redemption Call Right in the manner described above, on the Redemption Date the holders of the Exchangeable Shares will be entitled to receive in exchange therefor the redemption price otherwise payable by Canco in connection with the redemption of the Exchangeable Shares pursuant to Article 7 of the Exchangeable Share Provisions.

5.3 ***Change of Law Call Right***.

(a) Acquireco shall have the overriding right (the "**Change of Law Call Right**"), in the event of a Change of Law, to purchase (or to cause Callco to purchase) from all but not less than all of the holders of Exchangeable Shares (other than any holder of Exchangeable Shares which is an affiliate of Acquireco) all but not less than all of the Exchangeable Shares held by each such holder upon payment by Acquireco or Callco, as the case may be, of an amount per share (the "**Change of Law Call Purchase Price**") equal to the Current Market Price of Acquireco Shares on the last business day prior to the Change of Law Call Date plus the Dividend Amount, which shall be satisfied in full by Acquireco or Callco, as the case may be, delivering or causing to be delivered to such holder one Acquireco Share plus any Dividend Amount. In the event of the exercise of the Change of Law Call Right by Acquireco or Callco, each holder of Exchangeable Shares shall be obligated to sell all the Exchangeable Shares held by such holder to Acquireco or Callco, as the case may be, on the Change of Law Call Date upon payment by Acquireco or Callco, as the case may be, to such holder of the Change of Law Call Purchase Price for each such Exchangeable Share.

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(b) To exercise the Change of Law Call Right, Acquireco or Callco must notify the Transfer Agent of its intention to exercise such right at least 45 days before the date on which Acquireco or Callco intends to acquire the Exchangeable Shares (the "**Change of Law Call Date**"). If Acquireco or Callco exercises the Change of Law Call Right, then, on the Change of Law Call Date, Acquireco or Callco, as the case may be, will purchase and the holders of Exchangeable Shares will sell all of the Exchangeable Shares then outstanding for a price per share equal to the Change of Law Call Purchase Price.

(c) For the purposes of completing the purchase of the Exchangeable Shares pursuant to the exercise of the Change of Law Call Right, Acquireco or Callco, as the case may be, shall deposit or cause to be deposited with the Transfer Agent, on or before the Change of Law Call Date, the aggregate number of Acquireco Shares which Acquireco or Callco, as the case may be, shall deliver or cause to be delivered pursuant to Section 5.3(a) and a cheque or cheques of Acquireco or Callco, as the case may be, payable at par at any branch of the bankers of Acquireco or Callco representing the aggregate Dividend Amount, if any, in payment of the aggregate Redemption Call Purchase Price, in each case less any amounts withheld pursuant to Section 4.6. Provided that Acquireco or Callco has complied with the immediately preceding sentence, on and after the Change of Law Call Date the holders of the Exchangeable Shares shall cease to be holders of the Exchangeable Shares and shall not be entitled to exercise any of the rights of holders in respect thereof (including any rights under the Voting and Exchange Trust Agreement), other than the right to receive their proportionate part of the total Change of Law Purchase Price payable by Acquireco or Callco, as the case may be, without interest, upon presentation and surrender by the holder of certificates representing the Exchangeable Shares held by such holder and the holder shall on and after the Change of Law Call Date be considered and deemed for all purposes to be the holder of Acquireco Shares to which such holder is entitled. Upon surrender to the Transfer Agent of a certificate or certificates representing Exchangeable Shares, together with such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under the QBCA and articles of Canco and such additional documents, instruments and payments as the Transfer Agent may reasonably require, the holder of such surrendered certificate or certificates shall be entitled to receive in exchange therefor, and the Transfer Agent on behalf of Acquireco or Callco, as the case may be, shall transfer to such holder, the Acquireco Shares to which such holder is entitled and as soon as reasonably practicable thereafter the Transfer Agent shall deliver to such holder written evidence of the book entry issuance in uncertificated form of the Acquireco Shares to which the holder is entitled and a cheque or cheques of Acquireco or Callco, as the case may be, payable at par at any branch of the bankers of Acquireco or Callco, as the case may be, representing the Dividend Amount, if any, and when received by the Transfer Agent, all dividends and other distributions with respect to such Acquireco Shares with a record date after the Redemption Date and before the date of the transfer of such Acquireco Shares to such holder, less any amounts withheld pursuant to Section 4.6.

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ARTICLE 6
AMENDMENT

6.1 ***Plan of Arrangement Amendment***.

(a) Target may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time (with the prior written consent of Acquireco), provided that any such amendment, modification and/or supplement must be contained in a written document that is filed with the Court and, if made after the Special Meeting, approved by the Court and communicated to Target Shareholders, Target Optionholders and Target Noteholders if and as required by the Court.

(b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Target (with the prior written consent of Acquireco) at any time before or at the Special Meeting with or without any other prior notice or communication and, if so proposed and accepted by the persons voting at the Special Meeting in the manner required under the Interim Order, shall become part of this Plan of Arrangement for all purposes.

(c) Any amendment, modification or supplement to this Plan of Arrangement that is approved or directed by the Court following the Special Meeting shall be effective only if (i) it is consented to in writing by Target and Acquireco and, (ii) if required by the Court, it is consented to by Target Shareholders voting in the manner directed by the Court.

(d) Any amendment, modification or supplement to this Plan of Arrangement may be made prior to the Effective Date unilaterally by Acquireco, provided that it concerns a matter which, in the reasonable opinion of Acquireco, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of any Target Shareholder.

ARTICLE 7
FURTHER ASSURANCES

Each of Target and Acquireco shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by either of them to document or evidence any of the transactions or events set out in this Plan of Arrangement.

ARTICLE 8
NOTICE

Any notice to be given by Acquireco to Target Shareholders or Target Optionholders pursuant to the Arrangement will be deemed to have been properly given if it is mailed by first class mail, postage prepaid, to registered Target Shareholders or Target Optionholders, as the case may be, at their addresses as shown on the applicable register of such holders maintained by Target and

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will be deemed to have been received on the first day following the date of mailing which is a business day.

The provisions of this Plan of Arrangement, the Arrangement Agreement and the Letter of Transmittal and Election Form apply notwithstanding any accidental omission to give notice to any one or more Target Shareholders or Target Optionholders and notwithstanding any interruption of mail services in Canada or elsewhere following mailing. In the event of any interruption of mail service following mailing, Acquireco intends to make reasonable efforts to disseminate any notice by other means, such as publication. Except as otherwise required or permitted by law if post offices in Canada are not open for the deposit of mail, any notice which Acquireco or the Depositary may give or cause to be given under the Arrangement will be deemed to have been properly given and to have been received by Target Shareholders and Target Optionholders if (i) it is given to the TSX-V for dissemination or (ii) it is published once in the national edition of The Globe and Mail and in the daily newspapers of general circulation in each of the French and English languages in the City of Montreal, provided that if the national edition of The Globe and Mail is not being generally circulated, publication thereof will be made in The National Post or any other daily newspaper of general circulation published in the City of Toronto.

Notwithstanding the provisions of the Arrangement Agreement, this Plan of Arrangement and the Letter of Transmittal and Election Form, certificates, if any, for Acquireco Shares and Exchangeable Shares issuable, and cheques for cash amounts payable, pursuant to the Arrangement need not be mailed if Acquireco determines that delivery thereof by mail may be delayed. Persons entitled to cheques and certificates which are not mailed for the foregoing reason may take delivery thereof at the office of the Transfer Agent in respect of which the cheque and certificates being issued were deposited, upon application to the Transfer Agent, until such time as Acquireco has determined that delivery by mail will no longer be delayed. Acquireco will provide notice of any such determination not to mail made hereunder as soon as reasonably practicable after the making of such determination and in accordance with this Article 8. Notwithstanding the provisions of the Arrangement Agreement, this Plan of Arrangement and the Letter of Transmittal and Election Form, the deposit of cheques and certificates with the Transfer Agent in such circumstances will constitute delivery to the persons entitled thereto and the Acquireco Shares will be deemed to have been paid for immediately upon such deposit.

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APPENDIX I

TO THE PLAN OF ARRANGEMENT

PROVISIONS ATTACHING TO THE EXCHANGEABLE SHARES

The Exchangeable Shares shall have the following rights, privileges, restrictions and conditions:

1. Interpretation

(1) For the purposes of these share provisions:

"**Acquireco**" means Galaxy Resources Limited ABN 11 071 976 442, a corporation incorporated under the laws of Australia.

"**Acquireco Control Transaction**" means any merger, amalgamation, arrangement, take-over bid or tender offer, material sale of shares or rights or interests therein or thereto or similar transactions involving Acquireco, or any proposal to do so.

"**Acquireco Dividend Declaration Date**" means the date on which the board of directors of Acquireco declares any dividend or other distribution on the Acquireco Shares that would require a corresponding payment to be made in respect of the Exchangeable Shares.

"**Acquireco Shares**" means the fully paid ordinary shares of Acquireco.

"**affiliate**" has the meaning corresponding to "**affiliated companies**" in the *Securities Act* (Ontario), as amended.

"**Agency**" means any domestic or foreign court, tribunal, federal, state, provincial or local government or governmental agency, department or authority or other regulatory authority (including the TSX-V and the ASX) or administrative agency or commission (including the Securities Commissions and the Australian Securities & Investments Commission) or any elected or appointed public official.

"**Agent**" means any chartered bank or trust company in Canada selected by Canco for the purposes of holding some or all of the Liquidation Amount or Redemption Price in accordance with Section 5 or Section 7, respectively.

"**Arrangement**" means an arrangement under Section 182 of the OBCA on the terms and subject to the conditions set out in the Plan of Arrangement, to which plan these share provisions are attached as Appendix I.

"**Arrangement Agreement**" means the arrangement agreement made as of March 29, 2012 between Acquireco, Canco and Target, as amended, supplemented and/or restated in accordance with its terms, providing for, among other things, the Arrangement.

"**ASX**" means the ASX Limited.

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"**Board of Directors**" means the board of directors of Canco.

"**business day**" means any day other than a Saturday, Sunday, a public holiday or a day on which commercial banks are not open for business in Toronto, Ontario or Perth, Western Australia, under applicable law.

"**Callco**" means Galaxy Lithium One (Québec) Inc., a corporation incorporated under the laws of Québec that is a (i) direct subsidiary of Acquireco, or (ii) any other direct or indirect wholly-owned subsidiary of Acquireco designated by Acquireco from time to time in replacement thereof.

"**Callco Call Notice**" has the meaning ascribed thereto in Section 6(3) of these share provisions.

"**Canadian Dollar Equivalent**" means in respect of an amount expressed in a currency other than Canadian dollars (the "**Foreign Currency Amount**") at any date the product obtained by multiplying:

(a) the Foreign Currency Amount; by

(b) the noon spot exchange rate on the business day immediately preceding such date for such foreign currency expressed in Canadian dollars as reported by the Bank of Canada or, in the event such spot exchange rate is not available, such spot exchange rate on the business day immediately preceding such date for such foreign currency expressed in Canadian dollars as may be mutually agreed upon by Acquireco and Target to be appropriate for such purpose, which determination shall be conclusive and binding.

"**Canco**" means Galaxy Lithium One Inc., a corporation incorporated under the laws of Québec that issues the Exchangeable Shares pursuant to the Arrangement.

"**Common Shares**" means the common shares in the capital of Canco.

"**Current Market Price**" means, in respect of a Acquireco Share on any date, the quotient obtained by dividing (a) the aggregate of the Daily Value of Trades for each day during the period of 20 consecutive trading days ending three trading days before such date; by (b) the aggregate volume of Acquireco Shares used to calculate such Daily Value of Trades.

"**Daily Value of Trades**" means, in respect of the Acquireco Shares on any trading day, the product of (a) the volume weighted average price of Acquireco Shares on the ASX (or, if the Acquireco Shares are not listed on the ASX, the Canadian Dollar Equivalent of the volume weighted average price of Acquireco Shares on such other stock exchange or automated quotation system on which the Acquireco Shares are listed or quoted, as the case may be, as may be selected by the board of directors of Acquireco for such purpose) on such date, as determined by Bloomberg L.P. or other reputable, third party information source selected by the board of directors of Acquireco in good faith; and (b) the aggregate volume of Acquireco Shares traded on such day on the ASX or such other

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stock exchange or automated quotation system and used to calculate such volume weighted average price; provided that any such selections by the board of directors of Acquireco shall be conclusive and binding.

"**Dividend Amount**" means an amount equal to all declared and unpaid dividends on an Exchangeable Share held by a holder on any dividend record date which occurred prior to the date of purchase, redemption or other acquisition of such share by Callco or Acquireco from such holder pursuant to Section 5(1), Section 6(1) or Section 7(1).

"**Effective Date**" means the date on or before the Outside Date on which the Arrangement becomes effective in accordance with the OBCA and the Final Order.

"**Exchangeable Shares**" means the non-voting, exchangeable shares in the capital of Canco, having the rights, privileges, restrictions and conditions set forth herein.

"**Exchangeable Share Voting Event**" means any matter in respect of which holders of Exchangeable Shares are entitled to vote as shareholders of Canco and in respect of which the Board of Directors determines in good faith that after giving effect to such matter the economic equivalence of the Exchangeable Shares and the Acquireco Shares is maintained for the holders of Exchangeable Shares (other than Acquireco and its affiliates).

"**Exempt Exchangeable Share Voting Event**" means an Exchangeable Share Voting Event in order to approve or disapprove, as applicable, any change to, or in the rights of the holders of, the Exchangeable Shares, where the approval or disapproval, as applicable, of such change would be required to maintain the economic equivalence of the Exchangeable Shares and the Acquireco Shares.

"**holder**" means, when used with reference to the Exchangeable Shares, a holder of Exchangeable Shares shown from time to time in the register maintained by or on behalf of Canco in respect of the Exchangeable Shares.

"**including**" means "including without limitation" and "**includes**" means "includes without limitation".

"**ITA**" means the *Income Tax Act* (Canada).

"**Liquidation Amount**" has the meaning ascribed thereto in Section 5(1) of these share provisions.

"**Liquidation Call Right**" has the meaning ascribed thereto in the Plan of Arrangement.

"**Liquidation Date**" has the meaning ascribed thereto in Section 5(1) of these share provisions.

"**person**" includes any individual, firm, partnership, limited partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body

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corporate, corporation, unincorporated association or organization, Agency, syndicate or other entity, whether or not having legal status.

"**Plan of Arrangement**" means the plan of arrangement substantially in the form and content of Schedule B annexed to the Arrangement Agreement, and any amendments or variations thereto made in accordance with Section 7.B of the Arrangement Agreement or Article 6 of the Plan of Arrangement or made at the direction of the Court.

"**Purchase Price**" has the meaning ascribed thereto in Section 6(3) of these share provisions.

"**Redemption Call Purchase Price**" has the meaning ascribed thereto in the Plan of Arrangement.

"**Redemption Call Right**" has the meaning ascribed thereto in the Plan of Arrangement.

"**Redemption Date**" means the date, if any, established by the Board of Directors for the redemption by Canco of all but not less than all of the outstanding Exchangeable Shares pursuant to Section 7 of these share provisions, which date shall be no earlier than the third anniversary of the date on which Exchangeable Shares first are issued, unless:

(a) there are fewer than 1,000,000, Exchangeable Shares outstanding (other than Exchangeable Shares held by Acquireco and its affiliates, and as such number of shares may be adjusted as deemed appropriate by the Board of Directors to give effect to any subdivision or consolidation of or stock dividend on the Exchangeable Shares, any issue or distribution of rights to acquire Exchangeable Shares or securities exchangeable for or convertible into Exchangeable Shares, any issue or distribution of other securities or rights or evidences of indebtedness or assets, or any other capital reorganization or other transaction affecting the Exchangeable Shares), in which case the Board of Directors may accelerate such redemption date to such date prior to the third anniversary of the date on which Exchangeable Shares first are issued as they may determine, upon at least 60 days' prior written notice to the holders of the Exchangeable Shares and the Trustee;

(b) an Acquireco Control Transaction occurs, in which case, provided that the Board of Directors determines, in good faith and in its sole discretion, that it is not reasonably practicable to substantially replicate the terms and conditions of the Exchangeable Shares in connection with such Acquireco Control Transaction and that the redemption of all but not less than all of the outstanding Exchangeable Shares is necessary to enable the completion of such Acquireco Control Transaction in accordance with its terms, the Board of Directors may accelerate such redemption date to such date prior to the third anniversary of the date on which Exchangeable Shares first are issued as it may determine, upon such number of days' prior written notice to the holders of the Exchangeable Shares and the Trustee as the Board of Directors may determine to be reasonably practicable in such circumstances;

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(c) an Exchangeable Share Voting Event that is not an Exempt Exchangeable Share Voting Event is proposed and (i) the holders of the Exchangeable Shares fail to take the necessary action, at a meeting or other vote of holders of Exchangeable Shares, to approve or disapprove, as applicable, the Exchangeable Share Voting Event or the holders of the Exchangeable Shares do take the necessary action but, in connection therewith, the holders of more than 2% of the outstanding Exchangeable Shares (other than those held by Acquireco and its affiliates) exercise rights of dissent under the QBCA, and (ii) the Board of Directors determines in good faith that it is not reasonably practicable to accomplish the business purpose (which business purpose must be bona fide and not for the primary purpose of causing the occurrence of the Redemption Date) intended by the Exchangeable Share Voting Event in a commercially reasonable manner that does not result in an Exchangeable Share Voting Event, in which case the Redemption Date shall be the business day following the day on which the later of the events described in (i) and (ii) above occur; or

(d) an Exempt Exchangeable Share Voting Event is proposed and holders of the Exchangeable Shares fail to take the necessary action at a meeting or other vote of holders of Exchangeable Shares to approve or disapprove, as applicable, the Exempt Exchangeable Share Voting Event in which case the Redemption Date shall be the business day following the day on which the holders of the Exchangeable Shares failed to take such action.

provided, however, that the accidental failure or omission to give any notice of redemption under clauses (a), (b), (c) or (d) above to any of the holders of Exchangeable Shares shall not affect the validity of any such redemption.

"**QBCA**" means the *Business Corporations Act* (Québec), as amended.

"**Redemption Price**" has the meaning ascribed thereto in Section 7(1) of these share provisions.

"**Retracted Shares**" has the meaning ascribed thereto in Section 6(1)(a) of these share provisions.

"**Retraction Call Right**" has the meaning ascribed thereto in Section 6(1)(c) of these share provisions.

"**Retraction Date**" has the meaning ascribed thereto in Section 6(1)(b) of these share provisions.

"**Retraction Price**" has the meaning ascribed thereto in Section 6(1) of these share provisions.

"**Retraction Request**" has the meaning ascribed thereto in Section 6(1) of these share provisions.

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"**Securities Act**" means the Securities Act (Ontario) and the rules, regulations and policies made thereunder, as amended.

"**Support Agreement**" means the agreement made between Acquireco, Callco and Canco substantially in the form and content of Schedule I to the Arrangement Agreement.

"**Transfer Agent**" means Computershare Investor Services Inc. or such other person as may from time to time be appointed by Canco as the registrar and transfer agent for the Exchangeable Shares.

"**Trustee**" means the trustee chosen by Acquireco to act as trustee under the Voting and Exchange Trust Agreement, being a corporation organized and existing under the laws of Canada or any Province thereof and authorized to carry on the business of a trust company in all the provinces of Canada, and any successor trustee appointed under the Voting and Exchange Trust Agreement.

"**Voting and Exchange Trust Agreement**" means an agreement to be made among Acquireco, Canco and the Trustee in connection with the Plan of Arrangement substantially in the form of Schedule J to the Arrangement Agreement.

2. Ranking of Exchangeable Shares

The Exchangeable Shares shall be entitled to a preference over the Common Shares and any other shares ranking junior to the Exchangeable Shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of Canco, whether voluntary or involuntary, or any other distribution of the assets of Canco among its shareholders for the purpose of winding up its affairs.

3. Dividends

(1) A holder of an Exchangeable Share shall be entitled to receive and the Board of Directors shall, subject to applicable law, on each Acquireco Dividend Declaration Date, declare a dividend on each Exchangeable Share:

(a) in the case of a cash dividend declared on the Acquireco Shares, in an amount in cash for each Exchangeable Share equal to the cash dividend declared on each Acquireco Share on the Acquireco Dividend Declaration Date;

(b) in the case of a stock dividend declared on the Acquireco Shares to be paid in Acquireco Shares, by the issue or transfer by Canco of such number of Exchangeable Shares for each Exchangeable Share as is equal to the number of Acquireco Shares to be paid on each Acquireco Share unless in lieu of such stock dividend Canco elects to effect a corresponding and contemporaneous and economically equivalent (as determined by the Board of Directors in accordance with Section 3(5) hereof) subdivision of the outstanding Exchangeable Shares; or

(c) in the case of a dividend declared on the Acquireco Shares in property other than cash or Acquireco Shares, in such type and amount of property for each

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Exchangeable Share as is the same as or economically equivalent (to be determined by the Board of Directors as contemplated by Section 3(5) hereof) to the type and amount of property declared as a dividend on each Acquireco Share.

Such dividends shall be paid out of money, assets or property of Canco properly applicable to the payment of dividends, or out of authorized but unissued shares of Canco, as applicable. The holders of Exchangeable Shares shall not be entitled to any dividends other than or in excess of the dividends referred to in this Section 3(1).

(2) Cheques of Canco payable at par at any branch of the bankers of Canco shall be issued in respect of any cash dividends contemplated by Section 3(1)(a) hereof and the sending of such cheque to each holder of an Exchangeable Share shall satisfy the cash dividend represented thereby unless the cheque is not paid on presentation. Written evidence of the book entry issuance or transfer to the registered holder of Exchangeable Shares shall be delivered in respect of any stock dividends contemplated by Section 3(1)(b) hereof and the sending of such written evidence to each holder of an Exchangeable Share shall satisfy the stock dividend represented thereby. Such other type and amount of property in respect of any dividends contemplated by Section 3(1)(c) hereof shall be issued, distributed or transferred by Canco in such manner as it shall determine and the issuance, distribution or transfer thereof by Canco to each holder of an Exchangeable Share shall satisfy the dividend represented thereby. No holder of an Exchangeable Share shall be entitled to recover by action or other legal process against Canco any dividend that is represented by a cheque that has not been duly presented to Canco's bankers for payment or that otherwise remains unclaimed for a period of six years from the date on which such dividend was payable.

(3) The record date for the determination of the holders of Exchangeable Shares entitled to receive payment of, and the payment date for, any dividend declared on the Exchangeable Shares under Section 3(1) hereof shall be the same dates as the record date and payment date, respectively, for the corresponding dividend declared on the Acquireco Shares. The record date for the determination of the holders of Exchangeable Shares entitled to receive Exchangeable Shares in connection with any subdivision, redivision or change of the Exchangeable Shares under Section 3(1)(b) hereof and the effective date of such subdivision shall be the same dates as the record and payment date, respectively, for the corresponding stock dividend declared on the Acquireco Shares.

(4) If on any payment date for any dividends declared on the Exchangeable Shares under Section 3(1) hereof the dividends are not paid in full on all of the Exchangeable Shares then outstanding, any such dividends that remain unpaid shall be paid on a subsequent date or dates determined by the Board of Directors on which Canco shall have sufficient moneys, assets or property properly applicable to the payment of such dividends.

(5) The Board of Directors shall determine, in good faith and in its sole discretion, economic equivalence for the purposes of these share provisions, including Section 3(1) hereof, and each such determination shall be conclusive and binding on Canco and its shareholders. In making each such determination, the following factors shall, without excluding other

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factors determined by the Board of Directors to be relevant, be considered by the Board of Directors:

(a) in the case of any stock dividend or other distribution payable in Acquireco Shares, the number of such shares issued in proportion to the number of Acquireco Shares previously outstanding;

(b) in the case of the issuance or distribution of any rights, options or warrants to subscribe for or purchase Acquireco Shares (or securities exchangeable for or convertible into or carrying rights to acquire Acquireco Shares), the relationship between the exercise price of each such right, option or warrant and the Current Market Price;

(c) in the case of the issuance or distribution of any other form of property (including any shares or securities of Acquireco of any class other than Acquireco Shares, any rights, options or warrants other than those referred to in Section 3(5)(b) hereof, any evidences of indebtedness of Acquireco or any assets of Acquireco), the relationship between the fair market value (as determined by the Board of Directors in the manner above contemplated) of such property to be issued or distributed with respect to each outstanding Acquireco Share and the Current Market Price of a Acquireco Share; and

(d) in all such cases, the general taxation consequences of the relevant event to holders of Exchangeable Shares to the extent that such consequences may differ from the taxation consequences to holders of Acquireco Shares as a result of differences between taxation laws of Canada and Australia (except for any differing consequences arising as a result of differing withholding taxes and marginal taxation rates and without regard to the individual circumstances of holders of Exchangeable Shares).

4. Certain Restrictions

So long as any of the Exchangeable Shares are outstanding, Canco shall not at any time without, but may at any time with the approval of the holders of the Exchangeable Shares given as specified in Section 12(2) of these share provisions:

(a) pay any dividends on the Common Shares or any other shares ranking junior to the Exchangeable Shares, other than stock dividends payable in Common Shares or any such other shares ranking junior to the Exchangeable Shares, as the case may be;

(b) redeem or purchase or make any capital distribution in respect of Common Shares or any other shares ranking junior to the Exchangeable Shares;

(c) redeem or purchase any other shares of Canco ranking equally with the Exchangeable Shares with respect to the payment of dividends or the distribution of assets in the event of the liquidation, dissolution or winding-up of Canco,

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whether voluntary or involuntary, or any other distribution of the assets of Canco among its shareholders for the purpose of winding up its affairs;

(d) issue any Exchangeable Shares or any other shares of Canco ranking equally with the Exchangeable Shares other than by way of stock dividends to the holders of such Exchangeable Shares; and

(e) issue any shares of Canco ranking superior to the Exchangeable Shares.

The restrictions in Sections 4(a), (b), (c) and (d) hereof shall not apply if all dividends on the outstanding Exchangeable Shares corresponding to dividends declared and paid to date on the Acquireco Shares shall have been declared and paid on the Exchangeable Shares.

5. Distribution on Liquidation

(1) In the event of the liquidation, dissolution or winding-up of Canco or any other distribution of the assets of Canco among its shareholders for the purpose of winding up its affairs, subject to the exercise by Callco of the Liquidation Call Right, a holder of Exchangeable Shares shall be entitled, subject to applicable law, to receive from the assets of Canco in respect of each Exchangeable Share held by such holder on the effective date (the "**Liquidation Date**") of such liquidation, dissolution, winding-up or other distribution, before any distribution of any part of the assets of Canco among the holders of the Common Shares or any other shares ranking junior to the Exchangeable Shares, an amount per share (the "**Liquidation Amount**") equal to the Current Market Price of a Acquireco Share on the last business day prior to the Liquidation Date plus the Dividend Amount, which shall be satisfied in full by Canco delivering or causing to be delivered to such holder one Acquireco Share, plus an amount equal to the Dividend Amount.

(2) On or promptly after the Liquidation Date, and provided the Liquidation Call Right has not been exercised by Callco, Canco shall pay or cause to be paid to the holders of the Exchangeable Shares the Liquidation Amount for each such Exchangeable Share upon presentation and surrender of the certificates representing such Exchangeable Shares, together with such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under the QBCA and the Articles of Canco and such additional documents, instruments and payments as the Transfer Agent and Canco may reasonably require, at the registered office of Canco or at any office of the Transfer Agent as may be specified by Canco by notice to the holders of the Exchangeable Shares. Payment of the Liquidation Amount for such Exchangeable Shares shall be made by transferring or causing to be transferred to each holder the Acquireco Shares to which such holder is entitled and by delivering to such holder, on behalf of Canco, Acquireco Shares (which shares shall be fully paid and shall be free and clear of any lien, claim or encumbrance) and a cheque of Canco payable at par at any branch of the bankers of Canco in respect of the Dividend Amount, in each case less any amounts withheld on account of tax required to be deducted and withheld therefrom. On and after the Liquidation Date, the holders of the Exchangeable Shares shall cease to be holders of

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such Exchangeable Shares and shall not be entitled to exercise any of the rights of holders in respect thereof (including any rights under the Voting and Exchange Trust Agreement), other than the right to receive the Liquidation Amount without interest, unless payment of the total Liquidation Amount for such Exchangeable Shares shall not be made upon presentation and surrender of share certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected until the Liquidation Amount has been paid in the manner hereinbefore provided. Canco shall have the right at any time after the Liquidation Date to transfer or cause to be issued or transferred to, and deposited with, the Agent the Liquidation Amount in respect of the Exchangeable Shares represented by certificates that have not at the Liquidation Date been surrendered by the holders thereof, such Liquidation Amount to be held by the Agent as trustee for and on behalf of, and for the use and benefit of, such holders. Upon such deposit being made, the rights of a holder of Exchangeable Shares after such deposit shall be limited to receiving its proportionate part of the Liquidation Amount for such Exchangeable Shares so deposited, without interest, and when received by the Agent, all dividends and other distributions with respect to the Acquireco Shares to which such holder is entitled with a record date after the date of such deposit and before the date of transfer of such Acquireco Shares to such holder (in each case less any amounts withheld on account of tax required to be deducted and withheld therefrom) against presentation and surrender of the certificates for the Exchangeable Shares held by them in accordance with the foregoing provisions.

(3) After Canco has satisfied its obligations to pay the holders of the Exchangeable Shares the Liquidation Amount per Exchangeable Share pursuant to Section 5(1) of these share provisions, such holders shall not be entitled to share in any further distribution of the assets of Canco.

6. Retraction of Exchangeable Shares by Holder

(1) A holder of Exchangeable Shares shall be entitled at any time, subject to the exercise by Callco of the Retraction Call Right and otherwise upon compliance with, and subject to, the provisions of this Section 6, to require Canco to redeem any or all of the Exchangeable Shares registered in the name of such holder for an amount per share equal to the Current Market Price of a Acquireco Share on the last business day prior to the Retraction Date plus the Dividend Amount (the "**Retraction Price**"), which shall be satisfied in full by Canco delivering or causing to be delivered to such holder one Acquireco Share (which on issue will be admitted to listing and trading by the ASX (subject to official notice of issuance)) for each Exchangeable Share presented and surrendered by the holder together with, on the designated payment date therefor, the Dividend Amount. To effect such redemption, the holder shall present and surrender at the registered office of Canco or at any office of the Transfer Agent as may be specified by Canco by notice to the holders of Exchangeable Shares the certificate or certificates representing the Exchangeable Shares which the holder desires to have Canco redeem, together with such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under the QBCA and the Articles of Canco and such additional documents, instruments and payments as the Transfer Agent and Canco may reasonably require, and together with a duly executed statement (the "**Retraction**

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Request") in the form of Schedule A hereto or in such other form as may be acceptable to Canco:

(a) specifying that the holder desires to have all or any number specified therein of the Exchangeable Shares represented by such certificate or certificates (the "**Retracted Shares**") redeemed by Canco;

(b) stating the business day on which the holder desires to have Canco redeem the Retracted Shares (the "**Retraction Date**"), provided that the Retraction Date shall be not less than 10 business days nor more than 15 business days after the date on which the Retraction Request is received by Canco and further provided that, in the event that no such business day is specified by the holder in the Retraction Request, the Retraction Date shall be deemed to be the 15th business day after the date on which the Retraction Request is received by Canco and subject also to Section 6(8); and

(c) acknowledging the overriding right (the "**Retraction Call Right**") of Callco to purchase all but not less than all the Retracted Shares directly from the holder and that the Retraction Request shall be deemed to be a revocable offer by the holder to sell the Retracted Shares to Callco in accordance with the Retraction Call Right on the terms and conditions set out in Section 6(3) hereof.

(2) Provided that Callco has not exercised the Retraction Call Right, upon receipt by Canco or the Transfer Agent in the manner specified in Section 6(1) of a certificate or certificates representing the number of Retracted Shares, together with a Retraction Request, and provided that the Retraction Request is not revoked by the holder in the manner specified in Section 6(7), Canco shall redeem the Retracted Shares effective at the close of business on the Retraction Date and shall transfer or cause to be issued or transferred to such holder the Acquireco Shares to which such holder is entitled and shall comply with Section 6(4) hereof. If only a part of the Exchangeable Shares represented by any certificate is redeemed (or purchased by Callco pursuant to the Retraction Call Right), a new certificate for the balance of such Exchangeable Shares shall be issued to the holder at the expense of Canco.

(3) Subject to the provisions of this Section 6, upon receipt by Canco of a Retraction Request, Canco shall immediately notify Callco thereof and shall provide to Callco a copy of the Retraction Request. In order to exercise the Retraction Call Right, Callco must notify Canco of its determination to do so (the "**Callco Call Notice**") within five business days of notification to Callco by Canco of the receipt by Canco of the Retraction Request. If Callco does not so notify Canco within such five business day period, Canco will notify the holder as soon as possible thereafter that Callco will not exercise the Retraction Call Right. If Callco delivers the Callco Call Notice within such five business day period, and provided that the Retraction Request is not revoked by the holder in the manner specified in Section 6(7), the Retraction Request shall thereupon be considered only to be an offer by the holder to sell the Retracted Shares to Callco in accordance with the Retraction Call Right. In such event, Canco shall not redeem the Retracted Shares and Callco shall purchase from such holder and such holder shall sell to Callco on the

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Retraction Date the Retracted Shares for a purchase price (the "**Purchase Price**") per share equal to the Retraction Price per share. To the extent that Callco pays the Dividend Amount in respect of the Retracted Shares, Canco shall no longer be obligated to pay any declared and unpaid dividends on such Retracted Shares. For the purpose of completing a purchase pursuant to the Retraction Call Right, on the Retraction Date, Callco shall transfer or cause to be issued or transferred to the holder of the Retracted Shares the Acquireco Shares to which such holder is entitled. Provided that Callco has complied with the immediately preceding sentence and Section 6(4) hereof, the closing of the purchase and sale of the Retracted Shares pursuant to the Retraction Call Right shall be deemed to have occurred as at the close of business on the Retraction Date and, for greater certainty, no redemption by Canco of such Retracted Shares shall take place on the Retraction Date. In the event that Callco does not deliver a Callco Call Notice within such five business day period, and provided that the Retraction Request is not revoked by the holder in the manner specified in Section 6(7), Canco shall redeem the Retracted Shares on the Retraction Date and in the manner otherwise contemplated in this Section 6.

(4) Canco or Callco, as the case may be, shall deliver or cause the Transfer Agent to deliver to the relevant holder written evidence of the book entry issuance in uncertificated form of Acquireco Shares (which shares shall be fully paid and shall be free and clear of any lien, claim or encumbrance and which on issue will be admitted to listing and trading by the ASX (subject to official notice of issuance)), and, if applicable and on or before the payment date therefor, a cheque payable at par at any branch of the bankers of Canco or Callco, as applicable, representing the aggregate Dividend Amount, in payment of the Retraction Price or the Purchase Price, as the case may be, in each case less any amounts withheld on account of tax required to be deducted and withheld therefrom, and such delivery of such Acquireco Shares and cheques on behalf of Canco or by Callco, as the case may be, or by the Transfer Agent shall be deemed to be payment of and shall satisfy and discharge all liability for the Retraction Price or Purchase Price, as the case may be, to the extent that the same is represented by such share certificates and cheques (plus any tax deducted and withheld therefrom and remitted to the proper tax authority).

(5) On and after the close of business on the Retraction Date, the holder of the Retracted Shares shall cease to be a holder of such Retracted Shares and shall not be entitled to exercise any of the rights of a holder in respect thereof (including any rights under the Voting and Exchange Trust Agreement), other than the right to receive the Retraction Price or Purchase Price, as the case may be, without interest, unless upon presentation and surrender of certificates in accordance with the foregoing provisions, payment of the Retraction Price or the Purchase Price, as the case may be, shall not be made as provided in Section 6(4) hereof, in which case the rights of such holder shall remain unaffected until the Retraction Price or the Purchase Price, as the case may be, has been paid in the manner hereinbefore provided. On and after the close of business on the Retraction Date, provided that presentation and surrender of certificates and payment of the Retraction Price or the Purchase Price, as the case may be, has been made in accordance with the foregoing provisions, the holder of the Retracted Shares so redeemed by Canco or purchased by Callco shall thereafter be a holder of the Acquireco Shares delivered to it.

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(6) Notwithstanding any other provision of this Section 6, Canco shall not be obligated to redeem Retracted Shares specified by a holder in a Retraction Request to the extent that such redemption of Retracted Shares would be contrary to solvency requirements or other provisions of applicable law. If Canco believes that on any Retraction Date it would not be permitted by any of such provisions to redeem the Retracted Shares tendered for redemption on such date, and provided that Callco shall not have exercised the Retraction Call Right with respect to the Retracted Shares, Canco shall only be obligated to redeem Retracted Shares specified by a holder in a Retraction Request to the extent of the maximum number that may be so redeemed (rounded down to a whole number of shares) as would not be contrary to such provisions and shall notify the holder and the Trustee at least two business days prior to the Retraction Date as to the number of Retracted Shares which will not be redeemed by Canco. In any case in which the redemption by Canco of Retracted Shares would be contrary to solvency requirements or other provisions of applicable law, Canco shall redeem Retracted Shares in accordance with Section 6(2) of these share provisions on a pro rata basis and shall issue to each holder of Retracted Shares a new certificate, at the expense of Canco, representing the Retracted Shares not redeemed by Canco pursuant to Section 6(2) hereof. If Canco would otherwise be obligated to redeem the Retracted Shares pursuant to Section 6(2) of these share provisions but is not obligated to do so as a result of solvency requirements or other provisions of applicable law, the holder of any such Retracted Shares not redeemed by Canco pursuant to this Article 6 as a result of solvency requirements or other provisions of applicable law shall be deemed by giving the Retraction Request to have instructed the Transfer Agent to require Acquireco to purchase such Retracted Shares from such holder on the Retraction Date or as soon as practicable thereafter on payment by Acquireco to such holder of the Purchase Price for each such Retracted Share, all as more specifically provided for in the Voting and Exchange Trust Agreement.

(7) A holder of Retracted Shares may, by notice in writing given by the holder to Canco before the close of business on the business day immediately preceding the Retraction Date, withdraw its Retraction Request, in which event such Retraction Request shall be null and void and, for greater certainty, the revocable offer constituted by the Retraction Request to sell the Retracted Shares to Callco shall be deemed to have been revoked.

(8) Notwithstanding any other provision of this Section 6, if:

(a) exercise of the rights of the holders of the Exchangeable Shares, or any of them, to require Canco to redeem any Exchangeable Shares pursuant to this Section 6 on any Retraction Date would require listing particulars or any similar document to be issued in order to obtain the approval of the ASX to the listing and trading (subject to official notice of issuance) of, the Acquireco Shares that would be required to be delivered to such holders of Exchangeable Shares in connection with the exercise of such rights; and

(b) as a result of (a) above, it would not be practicable (notwithstanding the reasonable endeavours of Acquireco) to obtain such approvals in time to enable all or any of such Acquireco Shares to be admitted to listing and trading by the ASX (subject to official notice of issuance) when so delivered,

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that Retraction Date shall, notwithstanding any other date specified or otherwise deemed to be specified in any relevant Retraction Request, be deemed for all purposes to be the earlier of (i) the second business day immediately following the date the approvals referred to in Section 6(8)(a) are obtained, and (ii) the date which is 30 business days after the date on which the relevant Retraction Request is received by Canco, and references in these share provisions to such Retraction Date shall be construed accordingly.

7. Redemption of Exchangeable Shares by Canco

(1) Subject to applicable law, and provided Callco has not exercised the Redemption Call Right, Canco shall on the Redemption Date redeem all but not less than all of the then outstanding Exchangeable Shares for an amount per share (the "**Redemption Price**") equal to the Current Market Price of a Acquireco Share on the last business day prior to the Redemption Date plus the Dividend Amount, which shall be satisfied in full by Canco causing to be delivered to each holder of Exchangeable Shares one Acquireco Share for each Exchangeable Share held by such holder, together with an amount equal to the Dividend Amount.

(2) In any case of a redemption of Exchangeable Shares under this Section 7, Canco shall, at least 60 days before the Redemption Date (other than a Redemption Date established in connection with a Acquireco Control Transaction, an Exchangeable Share Voting Event or an Exempt Exchangeable Share Voting Event), send or cause to be sent to each holder of Exchangeable Shares a notice in writing of the redemption by Canco or the purchase by Callco under the Redemption Call Right, as the case may be, of the Exchangeable Shares held by such holder. In the case of a Redemption Date established in connection with a Acquireco Control Transaction, an Exchangeable Share Voting Event or an Exempt Exchangeable Share Voting Event, the written notice of the redemption by Canco or the purchase by Callco under the Redemption Call Right will be sent on or before the Redemption Date, on as many days prior written notice as may be determined by the Board of Directors to be reasonably practicable in the circumstances. In any such case, such notice shall set out the formula for determining the Redemption Price or the Redemption Call Purchase Price, as the case may be, the Redemption Date and, if applicable, particulars of the Redemption Call Right.

(3) On or after the Redemption Date and provided that the Redemption Call Right has not been exercised by Callco, Canco shall pay or cause to be paid to the holders of the Exchangeable Shares to be redeemed the Redemption Price for each such Exchangeable Share, upon presentation and surrender at the registered office of Canco or at any office of the Transfer Agent as may be specified by Canco in such notice of the certificates representing such Exchangeable Shares, together with such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under the QBCA and the Articles of Canco and such additional documents, instruments and payments as the Transfer Agent and Canco may reasonably require. Payment of the Redemption Price for such Exchangeable Shares shall be made by transferring or causing to be issued or transferred to each holder the Acquireco Shares to which such holder is entitled and by delivering to such holder, on behalf of Canco, written evidence of the

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book entry issuance in uncertificated form of Acquireco Shares (which shares shall be fully paid and shall be free and clear of any lien, claim or encumbrance), and, if applicable, a cheque of Canco payable at par at any branch of the bankers of Canco in payment of the Dividend Amount, in each case less any amounts withheld on account of tax required to be deducted and withheld therefrom. On and after the Redemption Date, the holders of the Exchangeable Shares called for redemption shall cease to be holders of such Exchangeable Shares and shall not be entitled to exercise any of the rights of holders in respect thereof (including any rights under the Voting and Exchange Trust Agreement), other than the right to receive the Redemption Price without interest, unless payment of the Redemption Price for such Exchangeable Shares shall not be made upon presentation and surrender of certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected until the Redemption Price has been paid in the manner hereinbefore provided. Canco shall have the right at any time after the sending of notice of its intention to redeem the Exchangeable Shares as aforesaid to transfer or cause to be issued or transferred to, and deposited with, the Agent named in such notice the Redemption Price for the Exchangeable Shares so called for redemption, or of such of the said Exchangeable Shares represented by certificates that have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption, less any amounts withheld on account of tax required to be deducted and withheld therefrom, such aggregate Redemption Price to be held by the Agent as trustee for and on behalf of, and for the use and benefit of, such holders. Upon the later of such deposit being made and the Redemption Date, the Exchangeable Shares in respect whereof such deposit shall have been made shall be redeemed and the rights of the holders thereof after such deposit or Redemption Date, as the case may be, shall be limited to receiving their proportionate part of the aggregate Redemption Price for such Exchangeable Shares, without interest, and when received by the Agent, all dividends and other distributions with respect to the Acquireco Shares to which such holder is entitled with a record date after the later of the date of such deposit and the Redemption Date and before the date of transfer of such Acquireco Shares to such holder (in each case less any amounts withheld on account of tax required to be deducted and withheld therefrom), against presentation and surrender of the certificates for the Exchangeable Shares held by them in accordance with the foregoing provisions.

8. Voting Rights

Except as required by applicable law and by Section 13 hereof, the holders of the Exchangeable Shares shall not be entitled as such to receive notice of or to attend any meeting of the shareholders of Canco or to vote at any such meeting. Without limiting the generality of the foregoing, the holders of the Exchangeable Shares shall not have class votes except as required by applicable law.

9. Specified Amount

For the purposes of the “specified amount” in subsection 191(4) of the ITA, the "specified amount" will be designated by a resolution of the directors of Canco at the time of the issue of the Exchangeable Shares and will not exceed the fair market value of the consideration received in exchange for such Exchangeable Shares.

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10. Election under Subsection 191.2(1)

Canco shall make an election under subsection 191.2(1) of the ITA in respect of the Exchangeable Shares in the manner and within the time required by such subsection.

11. Amendment and Approval

(1) The rights, privileges, restrictions and conditions attaching to the Exchangeable Shares may be added to, changed or removed only with the approval of the holders of the Exchangeable Shares given as hereinafter specified.

(2) Any approval given by the holders of the Exchangeable Shares to add to, change or remove any right, privilege, restriction or condition attaching to the Exchangeable Shares or any other matter requiring the approval or consent of the holders of the Exchangeable Shares in accordance with applicable law shall be deemed to have been sufficiently given if it shall have been given in accordance with applicable law, subject to a minimum requirement that such approval be evidenced by resolution passed by not less than two-thirds of the votes cast on such resolution at a meeting of holders of Exchangeable Shares duly called and held at which the holders of at least 10% of the outstanding Exchangeable Shares at that time are present or represented by proxy; provided that if at any such meeting the holders of at least 10% of the outstanding Exchangeable Shares at that time are not present or represented by proxy within one-half hour after the time appointed for such meeting, then the meeting shall be adjourned to such date not less than five days thereafter and to such time and place as may be designated by the Chairman of such meeting. At such adjourned meeting the holders of Exchangeable Shares present or represented by proxy thereat may transact the business for which the meeting was originally called and a resolution passed thereat by the affirmative vote of not less than two-thirds of the votes cast on such resolution at such meeting shall constitute the approval or consent of the holders of the Exchangeable Shares.

12. Reciprocal Changes, etc. in Respect of Acquireco Shares

(1) Each holder of an Exchangeable Share acknowledges that the Support Agreement provides, in part, that so long as any Exchangeable Shares not owned by Acquireco or its affiliates are outstanding, Acquireco will not without the prior approval of Canco and the prior approval of the holders of the Exchangeable Shares given in accordance with Section 12(2) of these share provisions:

(a) issue or distribute Acquireco Shares (or securities exchangeable for or convertible into or carrying rights to acquire Acquireco Shares) to the holders of all or substantially all of the then outstanding Acquireco Shares by way of stock dividend or other distribution, other than an issue of Acquireco Shares (or securities exchangeable for or convertible into or carrying rights to acquire Acquireco Shares) to holders of Acquireco Shares (i) who exercise an option to receive dividends in Acquireco Shares (or securities exchangeable for or convertible into or carrying rights to acquire Acquireco Shares) in lieu of

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receiving cash dividends, or (ii) pursuant to any dividend reinvestment plan or similar arrangement;

(b) issue or distribute rights, options or warrants to the holders of all or substantially all of the then outstanding Acquireco Shares entitling them to subscribe for or to purchase Acquireco Shares (or securities exchangeable for or convertible into or carrying rights to acquire Acquireco Shares); or

(c) issue or distribute to the holders of all or substantially all of the then outstanding Acquireco Shares:

(i) shares or securities of Acquireco (including evidence of indebtedness) of any class (other than Acquireco Shares or securities convertible into or exchangeable for or carrying rights to acquire Acquireco Shares);

(ii) rights, options or warrants other than those referred to in Section 13(1)(b) above;

(iii) evidence of indebtedness of Acquireco; or

(iv) assets of Acquireco,

unless the economic equivalent on a per share basis of such rights, options, securities, shares, evidences of indebtedness or other assets is issued or distributed simultaneously to holders of the Exchangeable Shares and at least 7 days prior written notice thereof is given to the holders of Exchangeable Shares; provided that, for greater certainty, the above restrictions shall not apply to any securities issued or distributed by Acquireco in order to give effect to and to consummate, in furtherance of or otherwise in connection with the transactions contemplated by, and in accordance with, the Plan of Arrangement.

(2) Each holder of an Exchangeable Share acknowledges that the Support Agreement further provides, in part, that so long as any Exchangeable Shares not owned by Acquireco or its affiliates are outstanding, Acquireco will not without the prior approval of Canco and the prior approval of the holders of the Exchangeable Shares given in accordance with Section 12(2) of these share provisions:

(a) subdivide, redivide or change the then outstanding Acquireco Shares into a greater number of Acquireco Shares;

(b) reduce, combine, consolidate or change the then outstanding Acquireco Shares into a lesser number of Acquireco Shares; or

(c) reclassify or otherwise change the Acquireco Shares or effect an amalgamation, merger, arrangement, reorganization or other transaction affecting the Acquireco Shares,

unless the same or an economically equivalent change shall simultaneously be made to, or in the rights of the holders of, the Exchangeable Shares and at least 7 days prior

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written notice is given to the holders of Exchangeable Shares. The Support Agreement further provides, in part, that the aforesaid provisions of the Support Agreement shall not be changed without the approval of the holders of the Exchangeable Shares given in accordance with Section 12(2) of these share provisions.

(3) Notwithstanding the foregoing provisions of this Section 13, in the event of a Acquireco Control Transaction:

(a) in which Acquireco merges or amalgamates with, or in which all or substantially all of the then outstanding Acquireco Shares are acquired by one or more other corporations to which Acquireco is, immediately before such merger, amalgamation or acquisition, related within the meaning of the ITA (otherwise than virtue of a right referred to in paragraph 251(5)(b) thereof);

(b) which does not result in an acceleration of the Redemption Date in accordance with paragraph (b) of the definition of Redemption Date in Section 1(1) of these provisions; and

(c) in which all or substantially all of the then outstanding Acquireco Shares are converted into or exchanged for shares or rights to receive such shares (the "**Other Shares**") of another corporation (the "**Other Corporation**") that, immediately after such Acquireco Control Transaction, owns or controls, directly or indirectly, Acquireco;

then all references herein to "Acquireco" shall thereafter be and be deemed to be references to "Other Corporation" and all references herein to "Acquireco Shares" shall thereafter be and be deemed to be references to "Other Shares" (with appropriate adjustments, if any, as are required to result in a holder of Exchangeable Shares on the exchange, redemption or retraction of shares pursuant to these share provisions or Article 5 of the Plan of Arrangement or exchange of shares pursuant to the Voting and Exchange Trust Agreement immediately subsequent to the Acquireco Control Transaction being entitled to receive that number of Other Shares equal to the number of Other Shares such holder of Exchangeable Shares would have received if the exchange, option or retraction of such shares pursuant to these share provisions or Article 5 of the Plan of Arrangement, or exchange of such shares pursuant to the Voting and Exchange Trust Agreement had occurred immediately prior to the Acquireco Control Transaction and the Acquireco Control Transaction was completed) without any need to amend the terms and conditions of the Exchangeable Shares and without any further action required.

13. Actions by Canco under Support Agreement

(1) Canco will take all such actions and do all such things as shall be necessary to perform and comply with and to ensure performance and compliance by Acquireco, Callco and Canco with all provisions of the Support Agreement applicable to Acquireco, Callco and Canco, respectively, in accordance with the terms thereof including taking all such actions and doing all such things as shall be necessary to enforce for the direct benefit of Canco all rights and benefits in favour of Canco under or pursuant to such agreement.

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(2) Canco shall not propose, agree to or otherwise give effect to any amendment to, or waiver or forgiveness of its rights or obligations under, the Support Agreement without the approval of the holders of the Exchangeable Shares given in accordance with Section 12(2) of these share provisions other than such amendments, waivers and/or forgiveness as may be necessary or advisable for the purposes of:

(a) adding to the covenants of the other parties to such agreement for the protection of Canco or the holders of the Exchangeable Shares thereunder;

(b) making such amendments or modifications not inconsistent with such agreement as may be necessary or desirable with respect to matters or questions arising thereunder which, in the good faith opinion of the Board of Directors, it may be expedient to make, provided that the Board of Directors shall be of the good faith opinion, after consultation with counsel, that such amendments and modifications will not be prejudicial to the interests of the holders of the Exchangeable Shares; or

(c) making such changes in or corrections to such agreement which, on the advice of counsel to Canco, are required for the purpose of curing or correcting any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error contained therein, provided that the Board of Directors shall be of the good faith opinion that such changes or corrections will not be prejudicial to the rights or interests of the holders of the Exchangeable Shares.

14. Legend; Call Rights; Withholding Rights

(1) The certificates evidencing the Exchangeable Shares shall contain or have affixed thereto a legend in form and on terms approved by the Board of Directors, with respect to the Support Agreement, the provisions of the Plan of Arrangement relating to the Liquidation Call Right, the Redemption Call Right and the Change of Law Call Right, the Voting and Exchange Trust Agreement (including the provisions with respect to the voting rights and automatic exchange thereunder) and the Retraction Call Right.

(2) Each holder of an Exchangeable Share, whether of record or beneficial, by virtue of becoming and being such a holder shall be deemed to acknowledge each of the Liquidation Call Right, the Retraction Call Right and the Redemption Call Right, in each case, in favour of Callco, and the Change of Law Call Right in favour of Acquireco and Callco, and the overriding nature thereof in connection with the liquidation, dissolution or winding-up of Canco or any other distribution of the assets of Canco among its shareholders for the purpose of winding up its affairs, or the retraction or redemption of Exchangeable Shares, as the case may be, and to be bound thereby in favour of Callco as therein provided.

(3) Canco, Callco, Acquireco and the Transfer Agent shall be entitled to deduct and withhold from any dividend, distribution or consideration otherwise payable to any holder of Exchangeable Shares such amounts as Canco, Callco, Acquireco or the Transfer Agent is required to deduct and withhold with respect to such payment under the ITA or any

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provision of provincial, territorial, state, local or foreign tax law, in each case, as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the holder of the Exchangeable Shares in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing Agency. To the extent that the amount so required to be deducted or withheld from any payment to a holder exceeds the cash portion of the consideration otherwise payable to the holder, Canco, Callco, Acquireco and the Transfer Agent are hereby authorized to sell or otherwise dispose of such portion of the consideration as is necessary to provide sufficient funds to Canco, Callco, Acquireco or the Transfer Agent, as the case may be, to enable it to comply with such deduction or withholding requirement and Canco, Callco, Acquireco or the Transfer Agent shall notify the holder thereof and remit any unapplied balance of the net proceeds of such sale.

15. Notices

(1) Any notice, request or other communication to be given to Canco by a holder of Exchangeable Shares shall be in writing and shall be valid and effective if given by first class mail (postage prepaid) or by telecopy or by delivery to the registered office of Canco and addressed to the attention of the Secretary of Canco. Any such notice, request or other communication, if given by mail, telecopy or delivery, shall only be deemed to have been given and received upon actual receipt thereof by Canco.

(2) Any presentation and surrender by a holder of Exchangeable Shares to Canco or the Transfer Agent of certificates representing Exchangeable Shares in connection with the liquidation, dissolution or winding-up of Canco or the retraction or redemption of Exchangeable Shares shall be made by first class mail (postage prepaid) or by delivery to the registered office of Canco or to such office of the Transfer Agent as may be specified by Canco, in each case, addressed to the attention of the Secretary of Canco. Any such presentation and surrender of certificates shall only be deemed to have been made and to be effective upon actual receipt thereof by Canco or the Transfer Agent, as the case may be. Any such presentation and surrender of certificates made by first class mail (postage prepaid) shall be at the sole risk of the holder mailing the same.

(3) Any notice, request or other communication to be given to a holder of Exchangeable Shares by or on behalf of Canco shall be in writing and shall be valid and effective if given by first class mail (postage prepaid) or by delivery to the address of the holder recorded in the register of shareholders of Canco or, in the event of the address of any such holder not being so recorded, then at the last known address of such holder. Any such notice, request or other communication, if given by mail, shall be deemed to have been given and received on the third business day following the date of mailing and, if given by delivery, shall be deemed to have been given and received on the date of delivery. Accidental failure or omission to give any notice, request or other communication to one or more holders of Exchangeable Shares shall not invalidate or otherwise alter or affect any action or proceeding to be taken by Canco pursuant thereto.

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(4) In the event of any interruption of mail service immediately prior to a scheduled mailing or in the period following a mailing during which delivery normally would be expected to occur, Canco shall make reasonable efforts to disseminate any notice by other means, such as publication. Except as otherwise required or permitted by law, if post offices in Canada are not open for the deposit of mail, any notice which Canco or the Transfer Agent may give or cause to be given hereunder will be deemed to have been properly given and to have been received by holders of Exchangeable Shares if it is published once in the national edition of The Globe and Mail and in the daily newspapers of general circulation in each of the French and English languages in the City of Montreal, provided that if the national edition of The Globe and Mail is not being generally circulated, publication thereof will be made in the National Post or any other daily newspaper of general circulation published in the City of Toronto.

Notwithstanding any other provisions of these share provisions, notices, other communications and deliveries need not be mailed if Canco determines that delivery thereof by mail may be delayed. Persons entitled to any deliveries (including certificates and cheques) which are not mailed for the foregoing reason may take delivery thereof at the office of the Transfer Agent to which the deliveries were made, upon application to the Transfer Agent, until such time as Canco has determined that delivery by mail will not longer be delayed. Canco will provide notice of any such determination not to mail made hereunder as soon as reasonably practicable after the making of such determination and in accordance with this Section 16(4). Such deliveries in such circumstances will constitute delivery to the persons entitled thereto.

16. Disclosure of Interests in Exchangeable Shares

Canco shall be entitled to require any holder of an Exchangeable Share or any person who Canco knows or has reasonable cause to believe holds any interest whatsoever in an Exchangeable Share to confirm that fact or to give such details as to whom has an interest in such Exchangeable Share as would be required (if the Exchangeable Shares were a class of "equity shares" of Canco) under Section 102.1 of the Securities Act or as would be required under the constitution of Acquireco or any laws or regulations, or pursuant to the rules or regulations of any regulatory Agency, if the Exchangeable Shares were Acquireco Shares.

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SCHEDULE A
TO APPENDIX I

RETRACTION REQUEST

[TO BE PRINTED ON EXCHANGEABLE SHARE CERTIFICATES]

To: Galaxy Lithium One Inc. ("**Canco**") and Galaxy Lithium One (Québec) Inc. ("**Callco**") and Galaxy Resources Limited ("**Acquireco**")

This notice is given pursuant to Section 6 of the provisions (the "**Share Provisions**") attaching to the Exchangeable Shares of Canco represented by this certificate and all capitalized words and expressions used in this notice that are defined in the Share Provisions have the meanings ascribed to such words and expressions in such Share Provisions.

The undersigned hereby notifies Canco that, subject to the Retraction Call Right referred to below, the undersigned desires to have Canco redeem in accordance with Section 6 of the Share Provisions:

all share (s) represented by this certificate; or

_____ share (s) only represented by this certificate.

The undersigned hereby notifies Canco that the Retraction Date shall be _____.

NOTE: The Retraction Date must be a business day and must not be less than 10 business days nor more than 15 business days after the date upon which this notice is received by Canco. If no such business day is specified above, the Retraction Date shall be deemed to be the 15th business day after the date on which this notice is received by Canco.

The undersigned acknowledges the overriding Retraction Call Right of Callco to purchase all but not less than all the Retracted Shares from the undersigned and that this notice is and shall be deemed to be a revocable offer by the undersigned to sell the Retracted Shares to Callco in accordance with the Retraction Call Right on the Retraction Date for the Purchase Price and on the other terms and conditions set out in Section 6(3) of the Share Provisions. This Retraction Request, and this offer to sell the Retracted Shares to Callco, may be revoked and withdrawn by the undersigned only by notice in writing given to Canco at any time before the close of business on the business day immediately preceding the Retraction Date.

The undersigned acknowledges that if, as a result of solvency provisions of applicable law, Canco is unable to redeem all Retracted Shares, and provided that Callco has not exercised the Retraction Call Right with respect to the Retracted Shares, the Retracted Shares will be automatically exchanged pursuant to the Voting and Exchange Trust Agreement so as to require Acquireco to purchase the unredeemed Retracted Shares.

The undersigned hereby represents and warrants to Callco, Acquireco and Canco that the undersigned:

is

(select one)

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is not

a non-resident of Canada for purposes of the *Income Tax Act* (Canada). **The undersigned acknowledges that in the absence of an indication that the undersigned is not a non-resident of Canada, withholding on account of Canadian tax may be made from amounts payable to the undersigned on the redemption or purchase of the Retracted Shares.**

The undersigned hereby represents and warrants to Callco, Acquireco and Canco that the undersigned has good title to, and owns, the share(s) represented by this certificate to be acquired by Callco, Acquireco or Canco, as the case may be, free and clear of all liens, claims and encumbrances.

(Date)	(Signature of Shareholder)	(Guarantee of Signature) E-60

Please check box if the certificates for Acquireco Shares and any cheque(s) resulting from the retraction or purchase of the Retracted Shares are to be held for pick-up by the shareholder from the Transfer Agent, failing which such certificates and cheque(s) will be mailed to the last address of the shareholder as it appears on the register.

NOTE: This panel must be completed and this certificate, together with such additional documents and payments (including, without limitation, any applicable Stamp Taxes) as the Transfer Agent may require, must be deposited with the Transfer Agent. The securities and any cheque(s) resulting from the retraction or purchase of the Retracted Shares will be issued and registered in, and made payable to, respectively, the name of the shareholder as it appears on the register of Canco and the certificates for Acquireco Shares and any cheque(s) resulting from such retraction or purchase will be delivered to such shareholder as indicated above, unless the form appearing immediately below is duly completed.

Date: _____

Name of Person in Whose Name Securities or Cheque(s)
Are to be Registered, Issued or Delivered (please print):

Street Address or P.O. Box: _____

Signature of Shareholder: _____

City, Province and Postal Code: _____

Signature Guaranteed by: _____

NOTE: If this Retraction Request is for less than all of the shares represented by this certificate, a certificate representing the remaining share(s) of Canco represented by this certificate will be issued and registered in the name of the shareholder as it appears on the register of Canco, unless the Share Transfer Power on the share certificate is duly completed in respect of such share(s).

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SCHEDULE C
MUTUAL CONDITIONS

The respective obligations of Target and Acquireco and Canco to complete the Arrangement shall be subject to the satisfaction, on or before the Outside Date, of the following conditions, each of which may be waived only by the written mutual consent of Target and Acquireco:

(a) the Arrangement, with or without amendment, shall have been approved at the Target Special Meeting in accordance with the Interim Order;

(b) the Interim Order and the Final Order shall each have been obtained on terms consistent with this agreement, and shall not have been set aside or modified in a manner unacceptable to Target and Acquireco, acting reasonably, on appeal or otherwise;

(c) the Acquireco Shareholder Approval shall have been obtained at the Acquireco Special Meeting;

(d) all waivers, consents, permits, orders and approvals of any Agency (including any Regulatory Approvals), and the expiry of any waiting periods (whether regulatory or contractual), the failure of which to obtain or receive, or the non-expiry of which, would or would reasonably be expected to be Materially Adverse to Target or Acquireco and their respective Subsidiaries, in each case taken as a whole, shall have been obtained, or received or shall have expired, as the case may be, and such waivers, consents, permits, orders and approvals shall be on terms that are not Materially Adverse to Target or Acquireco and their respective Subsidiaries, in each case taken as a whole;

(e) the Acquireco Shares, issuable to the Target Shareholders pursuant to the Arrangement, pursuant to the rights attached to the Exchangeable Shares and pursuant to the Acquireco Convertible Notes shall have been approved for listing on the ASX, subject to official notice of issuance, and subject to fulfilling listing requirements;

(f) there shall not be enacted or made any applicable Law that makes consummation of the Arrangement illegal or otherwise prohibited or enjoins Target or Acquireco from consummating the Arrangement and such applicable Law (if applicable) continues to be in effect through the Outside Date;

(g) this agreement shall not have been terminated in accordance with its terms;

(h) the distribution of the Acquireco Shares and the Exchangeable Shares pursuant to the Arrangement (including those Acquireco Shares distributable pursuant to the rights attached to the Exchangeable Shares and the Acquireco Convertible Notes) shall be exempt from the prospectus and registration requirements of applicable Law either by virtue of exemptive relief from the applicable securities regulatory

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authorities or by virtue of applicable exemptions under applicable Law and the first trade thereof shall not be subject to resale restrictions under applicable Law; and

(i) Acquireco obtains all shareholder approvals required from shareholders of Acquireco pursuant to the *Corporations Act 2001* and the Listing Rules of the ASX (including, but not limited the Acquireco Shareholder Approval).

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SCHEDULE D
CONDITIONS IN FAVOUR OF TARGET

The obligations of Target to complete the Transactions shall also be subject to the satisfaction, on or before the Outside Date, of the following conditions, each of which is for the exclusive benefit of Target and may be waived, in whole or in part, by Target in its sole discretion:

(a) neither Acquireco nor Canco shall have failed to perform any of the obligations to be performed by it under this agreement on or prior to the Effective Time or, in the event of any failure, such failure is not Materially Adverse to Acquireco and its Subsidiaries, taken as a whole;

(b) the representations and warranties of Acquireco and Canco under this agreement shall be true and correct in all respects except where the failure of such representations and warranties to be true and correct would not reasonably be expected to be Materially Adverse to Acquireco and its Subsidiaries, taken as a whole, (provided that the representations and warranties of Acquireco and Canco in Section 5.C and paragraph (u) of Schedule G shall be true and correct in all respects) and Target shall have received a certificate of each of Acquireco and Canco addressed to Target and dated the Effective Date, signed on behalf of Acquireco by a senior officer of Acquireco (on Acquireco's behalf and without personal liability), and signed on behalf of Canco by a senior officer of Canco (on Canco's behalf and without personal liability) confirming the same as at the Effective Date;

(c) there shall not have occurred, since the date of this agreement, any event, change, effect or development that individually or in the aggregate, has had a Materially Adverse effect on Acquireco and its Subsidiaries, taken as a whole;

(d) at the Effective Time Canco is a "taxable Canadian corporation" and not a "mutual fund corporation," each within the meaning of the ITA;

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SCHEDULE E
CONDITIONS IN FAVOUR OF ACQUIRECO AND CANCO

The obligations of Acquireco to complete the Transactions shall also be subject to the satisfaction of the following conditions, each of which is for the exclusive benefit of Acquireco and Canco and may be waived, in whole or in part, by Acquireco and Canco in their sole discretion:

(a) Target shall not have failed to perform any of the obligations to be performed by it under this agreement on or prior to the Effective Date or, in the event of any failure, such failure is not Materially Adverse to Target and its Subsidiaries, taken as a whole;

(b) the representations and warranties of Target under this agreement shall be true and correct in all respects except where the failure of such representations and warranties to be true and correct would not reasonably be expected to be Materially Adverse to Target and its Subsidiaries, taken as a whole, and Acquireco and Canco shall have received a certificate of Target addressed to Acquireco and Canco and dated the Effective Date, signed on behalf of Target by a senior officer of Target (on Target's behalf and without personal liability) confirming the same as at the Effective Date;

(c) there shall not have been delivered and not withdrawn notices of dissent with respect to the Arrangement in respect of more than 5% of the Target Shares; and

(d) there shall not have occurred, since the date of this agreement, any event, change, effect or development that individually or in the aggregate, has had a Materially Adverse effect on Target and its Subsidiaries, taken as a whole.

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SCHEDULE F
REPRESENTATIONS AND WARRANTIES OF TARGET

Target represents and warrants to Acquireco as follows (and acknowledges that Acquireco is relying on such representations and warranties in entering into this agreement and completing the Transactions):

(a) **Organization, Standing and Corporate Power.** Each of Target and each of its Subsidiaries is a corporation, partnership or other legal entity duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is organized and has the requisite power and authority to own its assets and conduct its business as currently owned and conducted. Each of Target and each of its Subsidiaries is duly qualified or licensed to conduct the business it conducts and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or licensing necessary. Target has made available for review by Acquireco complete and correct copies of its Articles of Continuance and By-Laws and the certificates of incorporation and bylaws or comparable organization documents of the Subsidiaries of Target, in each case as amended to the date of this agreement. Target is not in violation of any provision of its Articles of Continuance or By-Laws, and no Subsidiary of Target is in violation of any provisions of its certificate of incorporation, by-laws or comparable organizational documents.

(b) **Target Subsidiaries.** Section (b) of the Target Disclosure Statement lists each Subsidiary of Target and the ownership or interest therein of Target. All the outstanding shares of each such Subsidiary have been validly issued and are fully paid and non-assessable and, except as set forth in Section (b) of the Target Disclosure Statement, are owned by Target, by another Subsidiary of Target or by Target and another Subsidiary of Target, free and clear of all pledges, claims, liens, charges, mortgages, deeds of trust, net profit interests, net smelter returns, royalties, overriding royalty interests, other payments out of production, other burdens, security interests and other encumbrances of any kind or nature whatsoever held by third parties (collectively, "**Liens**"). Except for the capital stock of the Subsidiaries of Target and except for the ownership interests set forth in Section (b) of the Target Disclosure Statement, Target does not own, directly or indirectly, any capital stock or other ownership interest.

(c) **Capitalization.** The authorized capital (the "**Authorized Capital**") and issued capital of Target is as set out in the recitals to this agreement. Except as set forth above, there are no shares of capital stock or other voting securities of Target issued, reserved for issuance or outstanding. Except as set forth in Section (c) of the Target Disclosure Statement, there are not any bonds, debentures, notes or other indebtedness of Target having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which shareholders of Target must vote. Except as set forth above and except as set forth in Section (c) of the Target Disclosure Statement, as of the date of this agreement,

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there are not any options, warrants, puts, calls, rights, commitments, agreements, arrangements or undertakings of any kind (collectively, "**Options**") to which Target or any of its Subsidiaries is a party or by which any of them is bound relating to the issued or unissued shares of Target or any of its Subsidiaries, or obligating Target or any of its Subsidiaries to issue, transfer, grant, sell or pay for or repurchase any shares or other equity interests in, or securities convertible or exchangeable for any shares or other equity interests in, Target or any of its Subsidiaries or obligating Target or any of its Subsidiaries to issue, grant, extend or enter into any such Options. All shares of Target that are subject to issuance as aforesaid, upon issuance on the terms and conditions specified in the instrument pursuant to which they are issuable, will be duly authorized, validly issued, fully paid and non-assessable. The issuance and sale of all of the shares described in this Section (c) of Schedule F have been in compliance with all Laws. Target has previously provided Acquireco with a schedule setting forth the names of, and the number of shares of each class (including the number of shares issuable upon exercise of Target Options and the exercise price and vesting schedule with respect thereto) and the number of options held by, all holders of Target Options. Section (c) of the Target Disclosure Statement sets forth the average exercise price for outstanding Target Options. Except as set forth in Section (c) of the Target Disclosure Statement, Target has not agreed to register any securities under any securities Laws or granted registration rights to any person or entity; copies of all such agreements have previously been made available to Acquireco. Except as set forth above and in Section (c) of the Target Disclosure Statement, as of the date of this agreement, there are not any outstanding contractual obligations or other requirements of Target or any of its Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock of Target or any of its Subsidiaries, or provide funds to or make any investment (in the form of a loan, capital contribution or otherwise) in, any Subsidiary of Target or any other person. Without limiting the generality of the foregoing, there are no stock appreciation rights, phantom equity or similar rights, agreements, arrangements or commitments based upon the book value, income or any other attribute of Target or any of its Subsidiaries. Target is not party to any shareholder, pooling, voting or other similar agreement relating to the issued and outstanding shares in the capital of Target or any Subsidiary of Target.

(d) **Authority; Non-Contravention.**

(i) Target has all requisite corporate power and corporate authority to enter into this agreement and, subject to the Target Securityholder Approval, to consummate the Transactions and to perform its obligations under this agreement. The execution and delivery of this agreement by Target and the consummation by Target of the Transactions have been duly authorized by all necessary corporate action on the part of Target, subject to the Target Securityholder Approval. No other corporate proceedings on the part of Target or any of its Subsidiaries are necessary to authorize this agreement, the performance by Target of its obligations under this agreement and, subject to the Target Securityholder Approval, the

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Transactions. This agreement has been duly executed and delivered by Target and constitutes a valid and binding obligation of Target, enforceable by Acquireco against Target in accordance with its terms, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, reorganization or other laws of general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered. The execution and delivery of this agreement does not, and the consummation of the Transactions and compliance with the provisions of this agreement will not, conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of first refusal, consent, termination, buyback, purchase, cancellation or acceleration of any obligation or to loss of any property, rights or benefits under, or result in the imposition of any additional obligation under, or result in the creation of any Lien upon any of the properties or assets of Target or any of its Subsidiaries under, (i) the Articles or By-Laws of Target or the comparable organization documents of any of its Subsidiaries; (ii) any contract, royalty, instrument, permit, concession, franchise, license, loan or credit agreement, note, bond, mortgage, indenture, lease or other property agreement, partnership or joint venture agreement or other legally binding agreement, arrangement or understanding whether oral or written (a "**Contract**"), to which Target or any of its Subsidiaries is a party or by which any of them or their respective properties or assets is bound or affected, or (iii) subject to the governmental filings and other matters referred to in the following sentence, any Law applicable to Target or any of its Subsidiaries or their respective properties or assets except for such conflicts, violations, defaults, terminations, cancellations, accelerations, impositions, creations of liens, rights of first refusal, or any consents which, if not given or received, would not individually or in the aggregate, reasonably be expected to be Materially Adverse to Target. No consent, approval, order or authorization of, or registration, declaration or filing with, any Agency, is required by or with respect to Target or any of its Subsidiaries in connection with the execution and delivery of this agreement by Target or the consummation by Target of the Transactions, except for (i) the filing with the applicable securities regulatory Agencies of the Target Circular, (ii) any approvals required by the Interim Order and the Final Order, (iii) filings with the Director under the OBCA and (iv) such other consents, approvals, orders, authorizations, registrations, declarations and filings as are set forth in Section (d) of the Target Disclosure Statement.

(ii) except as set forth in the Target Disclosure Schedule:

(A) to the knowledge of Target, each of Target and its Subsidiaries are and have been in material compliance with all applicable Environmental Laws, except to the extent that a failure to be in

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such compliance would not be reasonably likely to be Materially Adverse to Target;

(B) the properties held by Target have not been used to generate, manufacture, refine, treat, recycle, transport, store, handle, dispose, transfer, produce or process Hazardous Substances, except in compliance in all material respects with all Environmental Laws. To the knowledge of Target, none of Target, its Subsidiaries or any other person in control of any properties held by Target has caused or permitted the Release of any Hazardous Substances at, in, on, under or from any properties held by Target, except in compliance with all Environmental Laws, except to the extent that a failure to be in such compliance would not be reasonably likely to have a Materially Adverse effect on Target. All Hazardous Substances handled, recycled, disposed of, treated or stored on or off site of the properties held by Target have been handled, recycled, disposed of, treated and stored in material compliance with all Environmental Laws except to the extent that a failure to be in such compliance would not be reasonably likely to have a Materially Adverse effect on Target. To the knowledge of Target, there are no Hazardous Substances at, in, on, under or migrating from properties held by Target, except in material compliance with all Environmental Laws;

(C) to the knowledge of Target, none of Target, its Subsidiaries or any other person for whose actions Target or a Target Subsidiary may be partially or wholly liable, has treated or disposed, or arranged for the treatment or disposal, of any Hazardous Substances at any location: (i) listed on any list of hazardous sites or sites requiring Remedial Action issued by any Governmental Entity; (ii) proposed for listing on any list issued by any Governmental Entity of hazardous sites or sites requiring Remedial Action, or any similar federal, state or provincial lists; or (iii) the subject of enforcement actions by any Governmental Entity that creates the reasonable potential for any proceeding, action, or other claim against Target or any of the Target Subsidiaries. No site or facility now or, to the knowledge of Target, previously owned, operated or leased by Target or any of its Subsidiaries is listed or, to the knowledge of Target, proposed for listing on any list issued by any Governmental Entity of hazardous sites or sites requiring Remedial Action or is the subject of Remedial Action;

(D) to the knowledge of Target, none of Target, its Subsidiaries or any other person for whose actions Target or an Target Subsidiary may be partially or wholly liable has caused or permitted the Release of any Hazardous Substances on or to any of the properties owned, leased or operated by Target in such a manner as: (i) would be

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reasonably likely to impose Liability for cleanup, natural resource damages, loss of life, personal injury, nuisance or damage to other property, except to the extent that such Liability would not have a Materially Adverse effect on Target; or (ii) would be reasonably likely to result in imposition of a lien, charge or other encumbrance or the expropriation on any of the properties owned, leased or operated by Target or the assets of any of Target or its Subsidiaries;

(E) to the knowledge of Target, none of the properties of Target has or is required to have any deed notices or restrictions, institutional controls, covenants that run with the land or other restrictive covenants or notices arising under any Environmental Laws; and

(F) to the knowledge of Target, none of Target or its Subsidiaries has received any notice, formal or informal, of any proceeding, action or other claim, Liability or potential Liability arising under any Environmental Laws, from any person related to any of the properties owned, leased or operated by Target that is pending as of the date hereof.

(iii) Target and each Target Subsidiary has good and marketable title to its properties (other than property as to which Target or a Subsidiary is a lessee, in which case it has a valid leasehold interest) (the "**Properties**") and all such Properties are in good standing with the relevant Agency, except for such defects in title that individually or in the aggregate, could not reasonably be expected to have a Materially Adverse effect on Target. (i) all such Properties are validly held by Target or its Subsidiaries, and Target and its Subsidiaries have complied in all respects with all terms and conditions thereof, (ii) none of such Properties will be subject to suspension, modification, revocation or non-renewal as a result of the execution and delivery of this agreement or the consummation of the Transactions, and (iii) since December 31, 2010, neither Target nor any of its Subsidiaries has received any written notice, notice of violation or probable violation, notice of revocation, or other written communication from or on behalf of any Agency, alleging (A) any violation of such Property, or (B) that Target or any of its Subsidiaries requires any Property required for its business as such business is currently conducted, that is not currently held by it. Furthermore, all real and tangible personal property of each of Target and a Subsidiary is in generally good repair and is operational and usable in the manner in which it is currently being utilized, subject to normal wear and tear and technical obsolescence, repair or replacement.

(iv) the indicated and inferred mineral resource statements of Target as set forth in the report of SRK Consulting (Canada) Inc. was, to the knowledge of Acquireco, prepared in accordance with accepted engineering practices

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and was, at such date, in compliance in all material respects with the requirements applicable to the presentation of mineral resource statements in accordance with National Instrument 43-101.

(v) the resource estimate of Target as set forth in the report of E.L. Montgomery & Associates was, to the knowledge of Target, prepared in accordance with accepted engineering practices and was, at such date, in compliance in all material respects with the requirements applicable to the presentation of such resource estimates in accordance with National Instrument 43-101.

(vi) Each of Target and its Subsidiaries possesses all certificates, franchises, licenses, permits, grants, easements, covenants, certificates, orders, authorizations and approvals issued to or granted by Agencies or other third parties (collectively, "**Permits**") that are material and necessary to conduct its business as such business is currently conducted or is expected to be conducted following completion of the Transaction, except where the failure to possess such Permits would not be Materially Adverse to the Target and its Subsidiaries. Except as set forth in Section (d) of the Target Disclosure Statement, (i) all such Permits are validly held by Target or its Subsidiaries, and Target and its Subsidiaries have complied in all material respects with all terms and conditions thereof, (ii) none of such Permits will be subject to suspension, modification, revocation or non-renewal as a result of the execution and delivery of this agreement or the consummation of the Transactions, and (iii) since December 31, 2010, neither Target nor any of its Subsidiaries has received any written notice, notice of violation or probable violation, notice of revocation, or other written communication from or on behalf of any Agency, alleging (A) any violation of such Permit, or (B) that Target or any of its Subsidiaries requires any Permit required for its business as such business is currently conducted, that is not currently held by it.

(e) **Publicly Filed Documents; Undisclosed Liabilities.** Target has filed, or has had filed or disclosed on its behalf, all required reports, schedules, forms, statements and other documents (including documents incorporated by reference) with the applicable security regulatory Agencies since December 31, 2010 (the "**Target Public Disclosure Documents**") except where the failure to make such a filing would not be Materially Adverse. As of its date, each Target Public Disclosure Document complied in all material respects with the requirements of all applicable securities Law. None of the Target Public Disclosure Documents, as of their respective dates, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, except to the extent that such statements have been modified or superseded by a later-filed Target Public Disclosure Document. The consolidated financial statements of Target included in the Target Public Disclosure Documents comply as to form in all material respects with applicable accounting

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requirements and the published rules and regulations of the applicable securities regulatory Agencies with respect thereto, have been prepared in accordance with GAAP, during the periods involved (except as may be indicated in such financial statements and the notes thereto or, in the case of audited statements in the related report of Target's independent auditors; or in the case of unaudited interim statements and subject to normal period end adjustments and may omit notes which are not required by applicable Laws in the unaudited statements) and fairly present the consolidated financial position of Target as of the dates thereof and the consolidated results of its operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). Except (i) as and to the extent disclosed, reflected or reserved against on the balance sheet or the notes thereto of Target included in the Filed Target Public Disclosure Documents, as incurred after the date thereof in the ordinary course of business consistent with past practice and prohibited by this agreement or (ii) as set forth in Section (e) of the Target Disclosure Statement, Target does not have any liabilities or obligations of any nature, whether known or unknown, absolute, accrued, contingent or otherwise and whether due or to become due, that, individually or in the aggregate, have had or would reasonably be expected to have a Materially Adverse effect on Target and its Subsidiaries, taken as a whole.

(f) **Information Supplied.** None of the information supplied or to be supplied by Target or its Subsidiaries for inclusion or incorporation by reference in the Target Circular or any other filings relating to the Transactions will, at the date the Target Circular is first mailed to Target Securityholders, or at the time of the Target Special Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of circumstances under which they are made, not misleading. Except as set out in Schedule (f) of the Target Disclosure Statement, the Target Circular will comply as to form in all material respects with the requirements of applicable securities Law, except that no representation or warranty is made by Target with respect to statements made or incorporated by reference therein based on information supplied by Acquireco for inclusion or incorporation by reference in the Target Circular.

(g) **Absence of Certain Changes or Events.** Except as disclosed in the Target Public Disclosure Documents filed and publicly available prior to the date of this agreement or the Target Disclosure Statement (the "**Filed Target Public Disclosure Documents**"), since December 31, 2010, Target has conducted, and caused each of its Subsidiaries to conduct, its business only in the ordinary course and:

(i) there has not been any event, change, effect or development (including any decision to implement such a change made by the board of directors of Target or any of its Subsidiaries in respect of which senior management believes that confirmation of the board of directors is probable), which, individually or in the aggregate, has had, or would reasonably be expected

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to have, a Materially Adverse effect on Target and its Subsidiaries, taken as a whole;

(ii) there has not been any declaration, setting aside or payment of any dividend or other distribution (whether in cash, stock or property) with respect to any Target Shares;

(iii) there has not been any split, combination or reclassification of any Authorized Capital of Target or any issuance or the authorization of any issuance of any other securities in exchange or in substitution for shares of Authorized Capital of Target;

(iv) there has not been, except as disclosed in Section (g) of the Target Disclosure Statement, (A) any granting by Target or any of its Subsidiaries to any officer of Target or any of its Subsidiaries of any increase in or acceleration of compensation, (B) any granting by Target or any of its Subsidiaries to any such officer of any increase in severance or termination pay, or (C) any entry by Target or any of its Subsidiaries into any employment, severance or termination agreement with any such officer;

(v) there has not been any change in accounting methods, principles or practices by Target or any of its Subsidiaries materially affecting its assets, liabilities or business, except insofar as may have been required by a change in GAAP or as set forth in Section (g) of the Target Disclosure Statement;

(vi) neither Target nor any of its Subsidiaries has engaged in any action which, if done after the date of this agreement, would violate Section 5(a) of this agreement, except as set forth in Section (g) of the Target Disclosure Statement; and

(vii) no liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) that is Materially Adverse to Target and its Subsidiaries, taken as a whole, has been incurred other than in the ordinary course of business consistent with past practice, except as set forth in Section (g) of the Target Disclosure Statement.

(h) **Disclosure.** Except as set forth in the Target Disclosure Statement, Target has not failed to disclose to Acquireco in writing any information known to Target regarding any event, circumstance or action taken or failed to be taken that is Materially Adverse to Target and its Subsidiaries, taken as a whole. Without limiting the generality of the foregoing, except as has been disclosed in Section (h) of the Target Disclosure Statement:

(i) there are no severance and employment agreements with respect to current or former employees of Target or any of its Subsidiaries or any bonus or

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incentive arrangements with respect to such employees that may require payments as a result of the Transactions;

(ii) Target and its Subsidiaries do not have liabilities or obligations in excess of the liabilities or obligations reflected or reserved against in the financial statements contained in the Filed Target Public Disclosure Documents that, either individually or in the aggregate, are Materially Adverse to Target and its Subsidiaries, taken as a whole; and

(iii) none of Target or any of its Subsidiaries or any of their properties is subject to a judgement, order or decree that is Materially Adverse to Target and its Subsidiaries, taken as a whole;

(i) **Compliance.** Except for any conflicts, defaults or violations that would not, individually or in the aggregate (taking into account the impact of any cross-defaults), reasonably be expected to result in a Materially Adverse effect on Target and its Subsidiaries, taken as a whole, each of Target and its Subsidiaries has complied with, and is not in conflict with, or in default (including cross defaults) under or in violation of:

(i) its articles or other organizational documents or by-laws;

(ii) any Law or material Permit applicable to it, its business or operations or by which any of its properties or assets is bound or affected;

(iii) any agreement, arrangement or understanding to which it, its business or operations or by which any of its properties or assets is bound or affected;

(j) **Restrictions on Business Activities.** There is no agreement, judgement, injunction, order or decree binding upon Target or any of its Subsidiaries that has, or would reasonably be expected to have, the effect of prohibiting, restricting or impairing any business practice of Target or any of its Subsidiaries, any acquisition of property or royalties by Target or any of its Subsidiaries or the conduct of business by any of them as currently conducted (including following the Arrangement) other than such agreements, judgements, injunctions, orders or decrees which are not, individually or in the aggregate, Materially Adverse to Target and its Subsidiaries, taken as a whole.

(k) **Contracts.** Section (k) of the Target Disclosure Statement lists all material Contracts to which Target or any of its Subsidiaries is a party including those Contracts which fall within any of the following categories: (a) Contracts not entered into in the ordinary course of Target's business; (b) royalty, joint venture, partnership and similar agreements; (c) Contracts containing covenants purporting to limit the freedom of Target or any of its Subsidiaries to compete in any line of business in any geographic area, to hire any individual or group of individuals or to acquire any business, entity or the assets thereof; (d) Contracts which after the Effective Time of the Transactions would have the effect of limiting the freedom of Acquireco or its Subsidiaries (other than Target and its Subsidiaries) to

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compete in any line of business in any geographic area, to hire any individual or group of individuals or to acquire any business, entity or the assets thereof; (e) Contracts which contain minimum purchase conditions or requirements or other terms that restrict or limit the purchasing relationships of Target or any of its Subsidiaries other than in the ordinary course of business; (f) Contracts involving annual revenues or expenditures to the business of Target or any of its Subsidiaries in excess of $100,000; (g) Contracts containing any rights on the part of any party, including joint venture partners or other entities, to acquire royalty, mining or other property rights from Target or any of the Subsidiaries; and (i) Contracts that require Target or any of its Subsidiaries to provide indemnification to any other person. All such Contracts are valid and binding obligations of Target or any of its Subsidiaries and, to the knowledge of Target, the valid and binding obligation of each other party thereto and are enforceable by Target or its applicable Subsidiary in accordance with their respective terms, and the Target or its applicable Subsidiary is entitled to all rights and benefits ascribed to such person thereunder, except for such Contracts which if not so valid and binding would not, individually or in the aggregate, have a Materially Adverse effect on Target and its Subsidiaries, taken as a whole. Neither Target nor, to the knowledge of Target, any other party thereto is in violation of or in default in respect of, nor has there occurred an event or condition which with the passage of time or giving of notice (or both) would constitute a default under or entitle any party to terminate, accelerate, modify or call a default under, or trigger any pre-emptive rights or rights of first refusal under, any such Contract except such violations or defaults under such Contracts, which, individually or in the aggregate, would not have a Materially Adverse effect on Target and its Subsidiaries, taken as a whole.

(l) **Tax Matters.**

(i) Target and each of its Subsidiaries have timely filed, or caused to be timely filed with the appropriate Agency, all Tax Returns required to be filed by them, and have timely paid, or caused to be timely paid, all material amounts of Taxes due and payable by them, including all instalments on account of any Taxes, except for any such failure to file or failure to pay which would not individually or in the aggregate, have a Materially Adverse effect on Target. All such Tax Returns are true, correct and complete in all material respects and have been completed in accordance with applicable Laws. To the best of Target's knowledge, no such Tax Return contains any misstatement or omits any statement that should have been included therein. No Tax Return has been amended.

(ii) Reserves and provisions for Taxes accrued but not yet due on or before the Effective Date as reflected in Target's financial statements contained in the Filed Target Public Disclosure Documents are adequate as of the date of such financial statements, in accordance with GAAP. No material deficiencies for Taxes have been proposed, asserted or assessed against

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Target that would reasonably be expected to be Materially Adverse to Target.

(iii) Neither Target nor any of its Subsidiaries has received any written notification that any issues involving a material amount of Taxes have been raised (and are currently pending) by the CRA, or any other taxing authority, including, without limitation, any sales tax authority, in connection with any of the Tax Returns filed or required to be filed, which would, individually or in the aggregate, be Materially Adverse to the Target.

(iv) No unresolved assessments, reassessments, audits, claims, actions, suits, proceedings, or investigations exist or have been initiated with regard to any Taxes or Tax Returns of Target or its Subsidiaries. To the knowledge of Target, no assessment, reassessment, audit or investigation by any Agency is underway, threatened or imminent with respect to Taxes for which Target or any of its Subsidiaries may be liable, in whole or in part.

(v) No election, consent for extension, nor any waiver that extends any applicable statute of limitations relating to the determination of a Tax liability of Target or any of its Subsidiaries has been filed or entered into and is still effective.

(vi) Target and each of its Subsidiaries have duly and timely collected all amounts on account of any goods, services, sales, value added, transfer or other Taxes required to have been collected by it and have duly set aside in trust or timely remitted to the appropriate Agency any and all such amounts required to be remitted by it except when the failure to do so would not individually or in the aggregate, be Materially Adverse.

(vii) Target has made available to Acquireco or its legal counsel or accountants true and complete copies of all Tax Returns for (and non privileged studies and opinions related thereto) Target and each of its Subsidiaries for each such entity's last three taxable years.

(viii) Target and each of its Subsidiaries is, and at all times has filed its Tax Returns on the basis that it is, resident for Tax purposes in its country of incorporation or formation and has not at any time been treated by any Agency as resident in any other country for any Tax purpose (including any treaty, convention or arrangement for the avoidance of double taxation). None of Target or any of its Subsidiaries has filed any Tax Return on the basis that it is subject to Tax in any jurisdiction other than its country of incorporation or formation (and political subdivisions thereof) or received written notification from any Agency that it may be required to file on such basis.

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(ix) Target and each of its Subsidiaries have properly withheld and remitted all amounts required to be withheld and/or remitted (including income tax, non-resident withholding tax, Canada Pension Plan contributions, Employment Insurance and Worker's Compensation premiums) and have paid such amounts due to the appropriate authority on a timely basis and in the form required under the appropriate legislation except when the failure to do so would not individually or in the aggregate, be Materially Adverse.

(x) There are no Tax liens on any assets of Target or any of its Subsidiaries except for Taxes not yet currently due and those which would not reasonably be expected to be Materially Adverse to Target and its Subsidiaries considered as a whole.

(xi) None of sections 78, 80, 80.01, 80.02, 80.03 or 80.04 of the ITA, or any equivalent provision of the tax legislation of any province or any other jurisdiction, have applied or will apply to Target or any of its Subsidiaries at any time up to and including the Effective Time.

(xii) "**Tax**" and "**Taxes**" means, with respect to any person, all income taxes (including any tax on or based upon net income, gross income, income as specially defined, earnings profits or selected items of income, earnings or profits) and all capital taxes, gross receipts taxes, environmental taxes, sales taxes, use taxes, ad valorem taxes, value added taxes, transfer taxes, franchise taxes, license taxes, withholding taxes or other withholding obligations, payroll taxes, employment taxes, Canada or Québec Pension Plan premiums, excise, severance, social security premiums, workers' compensation premiums, unemployment insurance or compensation premiums, stamp taxes, occupation taxes, premium taxes, property taxes, windfall profits taxes, alternative or add-on minimum taxes, goods and services tax, customs duties or other taxes of any kind whatsoever, and any interest and any penalties or additional amounts imposed by any taxing authority (domestic or foreign) on such person or for which such person is responsible, and any interest, penalties, additional taxes, additions to tax or other amounts imposed with respect to the foregoing, and includes any items described above attributable to another person in respect of which the first person or any Subsidiary of such first person is liable to pay by Law, Contract or otherwise, whether or not disputed. "**Tax Returns**" means returns, reports and forms (including schedules thereto) required to be filed with any Agency of Canada or any provincial, state or local Agency therein or any other jurisdiction responsible for the imposition or collection of Taxes.

(xiii) For purposes of this Section (l), the term "**material amount of Taxes**" shall mean an amount of Taxes that is material to Target and its Subsidiaries taken as a whole.

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(m) **Intellectual Property.** Except as otherwise provided in Section (n) of the Target Disclosure Statement, Target and its Subsidiaries own all right, title and interest in, or possesses the lawful right to use or has a currently pending application for all patents, patent applications, registered and common law trademarks (including applications therefor), service marks, trade names, copyright applications, copyrights, trade secrets, know-how, computer software, production technology, proprietary technology and other intellectual property and proprietary rights used in or necessary to conduct the business. Additionally:

(i) Target is not aware of any infringement of any such intellectual property by any third party; and

(ii) the conduct of the business of Target and its Subsidiaries has not, and will not, cause Target or any of its Subsidiaries to infringe or violate any of the patents, trademarks, service marks, trade names, copyrights, trade secrets, proprietary rights, computer software rights or licences or other intellectual property of any other person and neither Target nor any of its Subsidiaries has received any written or oral claim or notice of infringement or potential infringement of the intellectual property of any other person arising out of the conduct of Target and its Subsidiaries and, in particular Target or the applicable Subsidiary has complied with any licence respecting intellectual property held by Target and its Subsidiaries.

(n) **Non-Arm's Length Transactions**. Other than as set out in the Target Disclosure Statement, there are no current contracts, commitments, agreements, arrangements or other transactions (including relating to indebtedness by Target or any of its Subsidiaries) between Target or any of its Subsidiaries on the one hand, and any (a) officer or director of Target or any of its Subsidiaries, (b) any holder of record or, to the knowledge of Target, beneficial owner of five percent or more of the voting securities of Target, or (c) any affiliate or associate of any officer, director or beneficial owner, on the other hand.

(o) **Employment Matters.**

(i) Except as to matters otherwise specifically disclosed in Section (o) of the Target Disclosure Statement, none of Target or its Subsidiaries is a party to any agreement, obligation or understanding providing for severance or termination payments to, or any employment agreement with, any director, consultant, employee or officer, other than any common law obligations of reasonable notice of termination or pay in lieu thereof and any statutory obligations.

(ii) None of Target or any of its Subsidiaries had or has any labour contracts, collective bargaining agreements or employment or consulting agreements with any persons employed by Target or any persons otherwise performing services primarily for Target or any of its Subsidiaries (the "**Business Personnel**"). Neither Target nor any of its Subsidiaries has

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engaged in any unfair labour practice with respect to the Business Personnel since March 2009 and there is no unfair labour practice complaint pending or, to the knowledge of Target, threatened, against Target or any of its Subsidiaries with respect to the Business Personnel. There is no labour strike, dispute, slowdown or stoppage pending or, to the knowledge of Target, threatened against Target or any of its Subsidiaries, and neither Target nor any of its Subsidiaries has experienced any labour strike, dispute, slowdown or stoppage or other labour difficulty involving the Business Personnel since December 31, 2010.

(iii) None of Target or its Subsidiaries is subject to any litigation, actual or, to the knowledge of Target, threatened, relating to employment or termination of employment of employees or independent contractors, other than those claims or litigation as would, individually or in the aggregate, not be Materially Adverse to Target and its Subsidiaries, taken as a whole.

(iv) Target and each of its Subsidiaries has operated in material compliance with all applicable Laws with respect to employment and labour, including employment and labour standards, occupational health and safety, employment equity, pay equity, workers' compensation, human rights and labour relations and there are no current, pending or, to the knowledge of Target, threatened proceedings before any Agency with respect to any of the above.

(p) **Pension and Employee Benefits.**

(i) Section (p) of the Target Disclosure Statement includes a complete list of all employee benefit, health, welfare, supplemental unemployment benefit, bonus, pension, profit sharing, deferred compensation, stock option, stock compensation, stock purchase, retirement, hospitalization insurance, medical, dental, legal, disability and similar plans or arrangements or practices, whether written or oral, which are maintained by Target or any of its Subsidiaries, including all Employee Benefit Plans and Material Employment Agreements (collectively, the "**Target Plans**").

(ii) To Target's knowledge, no step has been taken, no event has occurred and no condition or circumstance exists that has resulted, or would reasonably be expected to result, in any Target Plan being ordered or required to be terminated or wound up in whole or in part or having its registration under applicable Laws refused or revoked, or being placed under the administration of any trustee or receiver or Agency or being required to pay any material Taxes, penalties or levies under applicable Laws. To Target's knowledge, there are no actions, suits, claims (other than routine claims for payment of benefits in the ordinary course), trials, demands, investigations, arbitrations or other proceedings which are pending or threatened in respect of any of the Target Plans or their assets which,

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individually or in the aggregate, are Materially Adverse to Target and its Subsidiaries, taken as a whole.

(iii) All of the Target Plans are in compliance in all material respects with all applicable Laws and their terms.

(iv) Without limiting the generality of the foregoing with respect to each Target Plan:

(A) Target has delivered or made available to Acquireco a true, correct and complete copy of: (i) each writing constituting a part of such Plan, including all plan documents, employee communications, benefit schedules, trust agreements, and insurance contracts and other funding vehicles; (ii) the current summary plan description and any material modifications thereto, if any; (iii) the most recent annual financial report, if any; (iv) the most recent actuarial report, if applicable. Target has delivered or made available to Acquireco a true, complete and correct copy of each Material Employment Agreement. Except as specifically provided in the foregoing documents delivered or made available to Acquireco, there are no amendments to any Plan or Material Employment Agreement that have been adopted or approved nor has Target or any of its Subsidiaries undertaken to make any such amendments or to adopt or approve any new Plan or Material Employment Agreement.

(B) All Employee Benefit Plans subject to the Laws of any jurisdiction (i) have been maintained in accordance with all applicable requirements, (ii) if they are intended to qualify for special Tax treatment, meet all requirements for such treatment, and (iii) if they are intended to be funded and/or book-reserved, are fully funded and/or book-reserved on a projected obligation basis, as appropriate, based upon reasonable actuarial assumptions.

(C) On or before the date hereof, Target has caused each grantor trust providing for funding of amounts payable pursuant to any Plans and/or Employment Agreements to be amended to ensure that no amounts are required to be contributed thereto as a result of the execution and delivery of this agreement, the announcement hereof, and/or the announcement or consummation of the Transactions.

(q) **Books and Records.** The financial books, records and accounts of Target and its Subsidiaries in all material respects, (i) have been maintained in accordance with GAAP on a basis consistent with prior years, (ii) are stated in reasonable detail and accurately and fairly reflect the transactions and dispositions of the assets of Target and its Subsidiaries and (iii) accurately and fairly reflect the basis for Target consolidated financial statements. The corporate minute books of Target

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and its Subsidiaries contain minutes of all meetings and resolutions of the directors and shareholders held, and full access to non-confidential information has been provided to Acquireco.

(r) **Insurance.** Target has made available to Acquireco true, correct and complete copies of all material policies of insurance to which each of Target and its Subsidiaries are a party or are a beneficiary or named insured. Target and its Subsidiaries maintain insurance coverage with reputable insurers in such amounts and covering such risks as are in accordance with normal industry practice for companies engaged in businesses similar to that of Target and its Subsidiaries.

(s) **Litigation.** Except as specifically disclosed in Section (s) of the Target Disclosure Statement, there is no suit, action or proceeding pending or, to the knowledge of Target, threatened against Target or any of its Subsidiaries that, individually or in the aggregate, if adversely determined, would reasonably be expected to have a Materially Adverse effect on Target and its Subsidiaries, taken as a whole, and there is not any judgement, decree, injunction, rule or order of any Agency or arbitrator outstanding against Target or any of its Subsidiaries having, or which would reasonably be expected to have, any Materially Adverse effect on Target and its Subsidiaries, taken as a whole. As of the date of this agreement, except as specifically disclosed in Section (s) of the Target Disclosure Statement, there is no suit, action, proceeding pending or, to the knowledge of Target, threatened, against Target or any of its Subsidiaries that, individually or in the aggregate, if adversely determined, would reasonably be expected to prevent or delay in any material respect the consummation of the Transactions.

(t) **Determination by the Board and Voting Requirements.** The board of directors of Target (after receiving financial advice including the Fairness Opinion, legal advice and after considering other factors), by the unanimous vote of its directors, has determined and resolved at its meeting held on March 29, 2012:

(i) that the entering into of this agreement, the performance by Target of its obligations hereunder and the Transactions are in the best interests of Target and its Securityholders;

(ii) the Arrangement is fair to Target Securityholders;

(iii) to approve the Transactions and this agreement; and

(iv) to recommend that Target Securityholders approve the Arrangement.

Subject to the terms of the Interim Order, the approvals set out in the definition of Target Securityholder Approval are the only votes of the holders of securities of Target necessary to approve this agreement and the Transactions.

(u) **Brokers; Schedule of Fees and Expenses.** Except as set forth in Section (u) of the Target Disclosure Statement, no broker, investment banker, financial advisor or other person is entitled to any broker's, finder's, financial advisor's or other

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similar fee or commission in connection with the Transactions based upon arrangements made by or on behalf of Target. Target has made available to Acquireco true and complete copies of all agreements that are referred to in Section (u) of the Target Disclosure Statement and all indemnification and other agreements related to the engagement of the persons so listed.

(v) **Opinion of Financial Advisor.** Target has received the oral opinion of the Financial Advisor dated the date of this agreement, to the effect that, as of such date, the consideration to be received pursuant to the Transactions by Target Shareholders is fair to the Target Shareholders from a financial point of view, a copy of which opinion will be promptly delivered to Acquireco.

(w) **Dispositions of Company Property.** Except as described in Section (y) of the Target Disclosure Statement, since December 31, 2010 neither Target nor any of its Subsidiaries has sold or disposed of or ceased to hold or own any personal property, real property, any interest or rights with respect to real property (including exploration or production rights), any royalty interest or interest in a joint venture or other assets or properties of Target or any of its Subsidiaries ("**Target Property**"), other than any interest or rights with respect to real property having an individual fair market value of less than $50,000 in the aggregate, in each case in the ordinary course of business, consistent with past practice. Except as set forth in Section (x) of the Target Disclosure Statement, no Target Property, the fair market value of which on the date of this agreement is greater than $50,000 in the aggregate, is subject to any pending sale or disposition transaction.

(x) **Absence of Cease Trade Orders**. No order ceasing or suspending trading in Target Shares (or any of them) or any other securities of Target is outstanding and no proceedings for this purpose have been instituted or, to the knowledge of Target, are pending, contemplated or threatened.

(y) **Absence of Environmental Liabilities.** No environmental, reclamation or closure obligations or other liabilities for which Target or any of its Subsidiaries would be liable or responsible presently exist with respect to any portion of any currently or formerly owned, leased, used or otherwise controlled property, interests or rights or relating to the operations and business of the Target or its Subsidiaries and there is no basis for any such obligations or liabilities to arise in the future as a result of any activity on or in respect of such property, interests, rights, operations and business. Neither Target nor any of its Subsidiaries has received inquiry from or notice of any pending investigation from any Agency or of any administrative or judicial proceeding concerning the violation of any applicable Law or any such environmental, reclamation or closure obligations or other liabilities.

(z) **Reporting Issuer Status**. Target is a reporting issuer in British Columbia, Alberta, Ontario and Québec.

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(aa) **Disclosure Controls.** Target has designed such disclosure controls and procedures, or caused them to be designed under the supervision of its Chief Executive Officer and Chief Financial Officer, to provide reasonable assurance that material information relating to Target is made known to the Chief Executive Officer and Chief Financial Officer by others within Target and its Subsidiaries, particularly during the period in which the annual or interim filings are being prepared.

(bb) **Internal Controls.** Target has designed such internal controls over financial reporting, or caused them to be designed under the supervision of the Chief Executive Officer and Chief Financial Officer of Target, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. To the knowledge of Target, prior to the date of this agreement: (i) there are no significant deficiencies in the design or operation of, or material weaknesses in, the internal controls over financial reporting of Target that are reasonably likely to adversely affect Target's ability to record, process, summarize and report financial information, and (ii) there is and has been no fraud, whether or not material, involving management or any other employees who have a significant role in the internal control over financial reporting of Target. Since December 31, 2010, Target has received no (x) complaints from any source regarding accounting, internal accounting controls or auditing matters or (y) expressions of concern from employees of Target regarding questionable accounting or auditing matters.

(cc) **Competition Act.** The Target, together with corporations that it controls (as defined in the *Competition Act* (Canada)), neither has assets in Canada with an aggregate value of greater than $77,000,000, nor gross revenues from sales in or from Canada generated from assets in Canada of greater than $77,000,000, in either case, as determined pursuant to subsection 110(3) of the *Competition Act* (Canada).

(dd) **Listing**. The Target Shares are listed and posted for trading on the TSX-V.

(ee) **Foreign Private Issuer**. Target is a "foreign private issuer" as defined in rule 405 of Regulation C under the U.S. Securities Act.

(ff) **Investment Company**. Target is not registered or required to be registered as an "investment company" within the meaning of the United States Investment Company Act of 1940, as amended.

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SCHEDULE G
REPRESENTATIONS AND WARRANTIES OF ACQUIRECO AND CANCO

Acquireco and Canco jointly and severally represent and warrant to Target as follows (and acknowledge that Target is relying on such representations and warranties in entering this agreement and completing the Transactions):

(a) **Organization, Standing and Corporate Power.** Each of Acquireco and each of its Subsidiaries is a corporation, partnership or other legal entity duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is organized and has the requisite power and authority to own its assets and conduct its business as currently owned and conducted. Each of Acquireco and each of its Subsidiaries is duly qualified or licensed to conduct the business it conducts. Acquireco is not in violation of any provision of its Certificate of Incorporation or By-Laws, and no Subsidiary of Acquireco is in violation of any provisions of its certificate of incorporation, by-laws or comparable organizational documents.

(b) **Acquireco Subsidiaries.** All the outstanding shares of each Subsidiary of Acquireco have been validly issued and are fully paid and non-assessable. Canco is an indirect wholly-owned Subsidiary of Acquireco.

(c) **Capitalization.** As at the date of this agreement, the issued capital of Acquireco consists of (i) 323,327,000 Acquireco Shares. As of March 29, 2012, Acquireco is obliged to issue 59,850,000 upon the exercise of outstanding stock options that were granted pursuant to Acquireco's stock option plan or otherwise and except as set forth above, there are no shares of capital stock or other voting securities of Acquireco issued or which would be required to be issued upon the exercise of an option or similar. Other than as disclosed in the Acquireco Disclosure Statement, as at the date of this agreement, there are no bonds, debentures, notes or other indebtedness of Acquireco having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which shareholders of Acquireco must vote. Except as set forth in the Acquireco Disclosure Statement, as at the date of this agreement, there are no options to which Acquireco or any of its Subsidiaries is a party or by which any of them is bound relating to the issued or unissued shares of Acquireco or any of its Subsidiaries, or obligating Acquireco or any of its Subsidiaries to issue, transfer, grant, sell or pay for or repurchase any shares or other equity interests in, or securities convertible or exchangeable for any capital stock or other equity interests in, Acquireco or any of its Subsidiaries or obligating Acquireco or any of its Subsidiaries to issue, grant, extend or enter into any such options. All shares of Acquireco that are subject to issuance as aforesaid, upon issuance on the terms and conditions specified in the instrument pursuant to which they are issuable, will be duly authorized, validly issued, fully paid and non-assessable.

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(d) **Shareholder and Similar Agreements.** Acquireco is not party to any shareholder, pooling, voting or other similar agreement relating to the issued and outstanding shares in the capital of Acquireco or any of its Subsidiaries.

(e) **Authority; Non-Contravention.**

(i) Each of Acquireco and Canco has all requisite corporate power and corporate authority to enter into this agreement and to consummate the Transactions and to perform its obligations under this agreement. On March 30, 2012, the board of directors of each of Acquireco and Canco unanimously approved this agreement and the Transactions and Acquireco resolved to recommend to Acquireco Shareholders that Acquireco Shareholders give the Acquireco Shareholder Approval. The execution and delivery of this agreement by each of Acquireco and Canco and the consummation by Acquireco and Canco, as applicable, of the Transactions have been duly authorized by all necessary corporate action on the part of Acquireco and Canco, as applicable. No other corporate proceedings on the part of Acquireco or any of its Subsidiaries are necessary to authorize this agreement, the performance by Acquireco of its obligations under this agreement, and subject to Acquireco Shareholder Approval, the Transactions. This agreement has been duly executed and delivered by each of Acquireco and Canco and constitutes a valid and binding obligation of each of Acquireco and Canco, enforceable by Target against each of Acquireco and Canco in accordance with its terms, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, reorganization or other laws of general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered. Except as set forth in the Acquireco Disclosure Statement, the execution and delivery of this agreement does not, and the consummation of the Transactions and compliance with the provisions of this agreement will not, conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of first refusal, consent, termination, buyback, purchase, cancellation or acceleration of any obligation or to loss of any property, rights or benefits under, or result in the imposition of any additional obligation under, or result in the creation of any Lien upon any of the properties or assets of Acquireco or any of its Subsidiaries under, (i) the Certificate of Incorporation or By-laws of Acquireco or the comparable organization documents of any of its Subsidiaries; (ii) any Contract to which Acquireco or any of its Subsidiaries is a party or by which any of them or their respective properties or assets is bound or affected; or (iii) subject to the governmental filings and other matters referred to in the following sentence, any Law applicable to Acquireco or any of its Subsidiaries or their respective properties or assets except for such conflicts, violations, defaults, terminations, cancellations, accelerations, impositions, creations of liens, rights of first refusal, or any consents which, if not given or

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received, would not individually or in the aggregate, reasonably be expected to be Materially Adverse to Acquireco. No consent, approval, order or authorization of, or registration, declaration or filing with, any Agency, is required by or with respect to Acquireco or any of its Subsidiaries in connection with the execution and delivery of this agreement by Acquireco or the consummation by Acquireco of the Transactions, except for (i) any approvals required by the Interim Order or the Final Order, and (ii) the Regulatory Approvals.

(ii) Each of Acquireco and its Subsidiaries possesses all Permits necessary to conduct its business as such business is currently conducted or is expected to be conducted following completion of the Transaction, except where the failure to possess such Permits would not be Materially Adverse to Acquireco and its Subsidiaries and except as set forth in the Acquireco Disclosure Statement: (i) all such Permits are validly held by Acquireco or its Subsidiaries, and Acquireco and its Subsidiaries have complied in all respects with all terms and conditions thereof, and (ii) neither Acquireco nor any of its Subsidiaries has received any outstanding written notice, notice of violation or probable violation, notice of revocation, or other written communication from or on behalf of any Agency, alleging (A) any material violation of such Permit, or (B) that Acquireco or any of its Subsidiaries requires any Permit required for its business as such business is currently conducted, that is not currently held by it.

(iii) except as set forth in the Acquireco Disclosure Statement:

(A) to the knowledge of Acquireco, each of Acquireco and its Subsidiaries are and have been in material compliance with all applicable Environmental Laws, except to the extent that a failure to be in such compliance would not be reasonably likely to be Materially Adverse to Acquireco;

(B) the properties held by Acquireco have not been used to generate, manufacture, refine, treat, recycle, transport, store, handle, dispose, transfer, produce or process Hazardous Substances, except in compliance in all material respects with all Environmental Laws. To the knowledge of Acquireco, none of Acquireco, its Subsidiaries or any other person in control of any properties held by Acquireco has caused or permitted the Release of any Hazardous Substances at, in, on, under or from any properties held by Acquireco, except in compliance with all Environmental Laws, except to the extent that a failure to be in such compliance would not be reasonably likely to have a Materially Adverse effect on Acquireco. All Hazardous Substances handled, recycled, disposed of, treated or stored on or off site of the properties held by Acquireco have been handled, recycled, disposed of, treated and stored in material compliance with all Environmental Laws except

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to the extent that a failure to be in such compliance would not be reasonably likely to have a Materially Adverse effect on Acquireco. To the knowledge of Acquireco, there are no Hazardous Substances at, in, on, under or migrating from properties held by Acquireco, except in material compliance with all Environmental Laws;

(C) to the knowledge of Acquireco, none of Acquireco, its Subsidiaries or any other person for whose actions Acquireco or an Acquireco Subsidiary may be partially or wholly liable, has treated or disposed, or arranged for the treatment or disposal, of any Hazardous Substances at any location: (i) listed on any list of hazardous sites or sites requiring Remedial Action issued by any Governmental Entity; (ii) proposed for listing on any list issued by any Governmental Entity of hazardous sites or sites requiring Remedial Action, or any similar federal, state or provincial lists; or (iii) the subject of enforcement actions by any Governmental Entity that creates the reasonable potential for any proceeding, action, or other claim against Acquireco or any of the Acquireco Subsidiaries. No site or facility now or, to the knowledge of Acquireco, previously owned, operated or leased by Acquireco or any of its Subsidiaries is listed or, to the knowledge of Acquireco, proposed for listing on any list issued by any Governmental Entity of hazardous sites or sites requiring Remedial Action or is the subject of Remedial Action;

(D) to the knowledge of Acquireco, none of Acquireco, its Subsidiaries or any other person for whose actions Acquireco or an Acquireco Subsidiary may be partially or wholly liable has caused or permitted the Release of any Hazardous Substances on or to any of the properties owned, leased or operated by Acquireco in such a manner as: (i) would be reasonably likely to impose Liability for cleanup, natural resource damages, loss of life, personal injury, nuisance or damage to other property, except to the extent that such Liability would not have a Materially Adverse effect on Acquireco; or (ii) would be reasonably likely to result in imposition of a lien, charge or other encumbrance or the expropriation on any of the properties owned, leased or operated by Acquireco or the assets of any of Acquireco or its Subsidiaries;

(E) to the knowledge of Acquireco, none of the properties of Acquireco has or is required to have any deed notices or restrictions, institutional controls, covenants that run with the land or other restrictive covenants or notices arising under any Environmental Laws; and

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(F) to the knowledge of Acquireco, none of Acquireco or its Subsidiaries has received any notice, formal or informal, of any proceeding, action or other claim, Liability or potential Liability arising under any Environmental Laws, from any person related to any of the properties owned, leased or operated by Acquireco that is pending as of the date hereof.

(iv) Acquireco and each Acquireco Subsidiary has good and marketable title to its properties (other than property as to which Acquireco or a Subsidiary is a lessee, in which case it has a valid leasehold interest) (the "**Properties**") and all such Properties are in good standing with the relevant Agency, except for such defects in title that individually or in the aggregate, could not reasonably be expected to have a Materially Adverse effect on Acquireco. (i) all such Properties are validly held by Acquireco or its Subsidiaries, and Acquireco and its Subsidiaries have complied in all respects with all terms and conditions thereof, (ii) none of such Properties will be subject to suspension, modification, revocation or non-renewal as a result of the execution and delivery of this agreement or the consummation of the Transactions, and (iii) since December 31, 2010, neither Acquireco nor any of its Subsidiaries has received any written notice, notice of violation or probable violation, notice of revocation, or other written communication from or on behalf of any Agency, alleging (A) any violation of such Property, or (B) that Acquireco or any of its Subsidiaries requires any Property required for its business as such business is currently conducted, that is not currently held by it. Furthermore, all real and tangible personal property of each of Acquireco and a Subsidiary is in generally good repair and is operational and usable in the manner in which it is currently being utilized, subject to normal wear and tear and technical obsolescence, repair or replacement;

(v) the measured, indicated and inferred mineral resource statements of Acquireco as set forth in the report of Hellman and Schofield Pty Ltd., was, to the knowledge of Acquireco, prepared in accordance with accepted engineering practices and was, at such date, in compliance in all material respects with the requirements applicable to the presentation of mineral resource statements in accordance with the 2004 edition of the "Australiasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the "**JORC Code**").

(vi) the proved and probable mineral one reserve report of Acquireco as set forth in the report of Croeser Pty Ltd. was, to the knowledge of Acquireco, prepared in accordance with accepted engineering practices and was, at such date, in compliance in all material respects with the requirements applicable to the presentation of such resource estimates in accordance with JORC Code.

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(f) **Publicly Filed Documents; Undisclosed Liabilities.** Except as set forth in the Acquireco Disclosure Statement, Acquireco has filed, or has had filed or disclosed on its behalf, all required reports, schedules, forms, statements and other documents (including documents incorporated by reference, as may be required) with the Australian Securities & Investments Commission and in respect of any Acquireco Subsidiary incorporated in Hong Kong, the People's Republic of China, Canada or the United States of America, relevant regulatory authorities in those jurisdictions (the "**Acquireco Public Disclosure Documents**") except where the failure to make such filing would not be Materially Adverse. Except as set forth in Section (e) of the Acquireco Disclosure Statement, as of its date, each Acquireco Public Disclosure Document complied in all material respects with the rules and regulations applicable to such Acquireco Public Disclosure Document. None of the Acquireco Public Disclosure Documents, as of their respective dates, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, except to the extent that such statements have been modified or superseded by a later-filed Acquireco Public Disclosure Document. The consolidated financial statements of Acquireco included in the Acquireco Public Disclosure Documents comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of Australian International Financial Reporting Standards ("**AIFRS**") with respect thereto, have been prepared in accordance with AIFRS applied on a consistent basis during the periods involved (except as may be indicated such financial statements and the notes thereto or, in the case of audited statements in the related report of Acquireco's independent auditors; or in the case of unqualified interim statements and subject to normal period end adjustments and may omit notes which are not required by applicable Laws in the unaudited statements) and fairly present the consolidated financial position of Acquireco as of the dates thereof and the consolidated results of its operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). Except as and to the extent disclosed, reflected or reserved against on the balance sheet or the notes thereto of Acquireco included in the Acquireco Public Disclosure Documents filed and publically available or in to the date of this Agreement (the "**Filed Acquireco Public Disclosure Documents**"), as incurred after the date thereof in the ordinary course of business consistent with past practice and prohibited by this agreement, Acquireco does not have any liabilities or obligations of any nature, whether known or unknown, absolute, accrued, contingent or otherwise and whether due or to become due, that, individually or in the aggregate, have had or would reasonably be expected to have a Materially Adverse effect on Acquireco and its Subsidiaries, taken as a whole.

(g) **Information Supplied.** None of the information supplied or to be supplied by Acquireco or its Subsidiaries for inclusion or incorporation by reference in the Target Circular will, at the date the Target Circular is first mailed to Target Securityholders, or at the time of the Target Special Meeting, contain any untrue

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statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of circumstances under which they are made, not misleading.

(h) **Absence of Certain Changes or Events.** Except as disclosed in the Filed Acquireco Public Disclosure Documents or the Acquireco Disclosure Statement, since December 31, 2010, Acquireco has conducted, and caused each of its Subsidiaries to conduct, its business only in the ordinary course and:

(i) there has not been any event, change, effect or development (including any decision to implement such a change made by the board of directors of Acquireco or any of its Subsidiaries in respect of which senior management believes that confirmation of the board of directors is probable), which, individually or in the aggregate, has had, or would reasonably be expected to have, a Materially Adverse effect on Acquireco and its Subsidiaries, taken as a whole;

(ii) there has not been any declaration, setting aside or payment of any dividend or other distribution (whether in cash, stock or property) with respect to any Acquireco Shares;

(iii) there has not been any split, combination or reclassification of any authorized capital of Acquireco or any issuance or the authorization of any issuance of any other securities in exchange or in substitution for shares of authorized capital of Acquireco;

(iv) there has not been any change in accounting methods, principles or practices by Acquireco or any of its Subsidiaries materially affecting its assets, liabilities or business, except insofar as may have been required by a change in AIFRS or as set forth in Section (g) of the Acquireco Disclosure Statement;

(v) neither Acquireco nor any of its Subsidiaries has engaged in any action which, if done after the date of this agreement, would violate Section 5.B. of this agreement, except as set forth in Section (g) of the Acquireco Disclosure Statement; and

(vi) no liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) that is Materially Adverse to Acquireco and its Subsidiaries, taken as a whole, has been incurred other than in the ordinary course of business consistent with past practice, except as set forth in Section (g) of the Acquireco Disclosure Statement.

(i) **Disclosure.** Except as set forth in the Acquireco Disclosure Statement, Acquireco has not failed to disclose to Target in writing any information known to Acquireco regarding any event, circumstance or action taken or failed to be taken that is Materially Adverse to Acquireco and its Subsidiaries, taken as a whole. Without limiting the generality of the foregoing:

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(i) Acquireco and its Subsidiaries do not have liabilities or obligations in excess of the liabilities or obligations reflected or reserved against in the financial statements contained in the Filed Acquireco Public Disclosure Documents that, either individually or in the aggregate, are Materially Adverse to Acquireco and its Subsidiaries, taken as a whole; and

(ii) none of Acquireco or any of its Subsidiaries or any of their properties is subject to a judgement, order or decree that is Materially Adverse to Acquireco and its Subsidiaries, taken as a whole.

(j) **Restrictions on Business Activities.** Except as set forth in the Acquireco Disclosure Statement, there is no agreement, judgement, injunction, order or decree binding upon Acquireco or any of its Subsidiaries that has, or would reasonably be expected to have, the effect of prohibiting, restricting or impairing any business practice of Acquireco or any of its Subsidiaries, any acquisition of property by Acquireco or any of its Subsidiaries or the conduct of business by any of them as currently conducted (including following the Arrangement) other than such agreements, judgements, injunctions, orders or decrees which are not, individually or in the aggregate, Materially Adverse to Acquireco and its Subsidiaries, taken as a whole.

(k) **Contracts.** The Acquireco Data Room contains all material Contracts to which Acquireco or any of its Subsidiaries is a party. All such Contracts are valid and binding obligations of Acquireco or any of its Subsidiaries and, to the knowledge of Acquireco, the valid and binding obligation of each other party thereto and are enforceable by Acquireco or its applicable Subsidiary in accordance with their respective terms, and the Acquireco or its applicable Subsidiary is entitled to all rights and benefits thereunder, except for such Contracts which if not so valid and binding would not, individually or in the aggregate, have a Materially Adverse effect on Acquireco and its Subsidiaries, taken as a whole. Neither Acquireco nor, to the knowledge of Acquireco, any other party thereto is in violation of or in default in respect of, nor has there occurred an event or condition which with the passage of time or giving of notice (or both) would constitute a default under or entitle any party to terminate, accelerate, modify or call a default under, or trigger any pre-emptive rights or rights of first refusal under, any such Contract except such violations or defaults under such Contracts, which, individually or in the aggregate, would not have a Materially Adverse effect on Acquireco and its Subsidiaries, taken as a whole.

(l) **Tax Matters.**

(i) Acquireco and each of its Subsidiaries have timely filed, or caused to be timely filed with the appropriate Agency, all Tax Returns required to be filed by them, and have timely paid, or caused to be timely paid, all material amounts of Taxes due and payable by them, including all instalments on account of any Taxes, except for any such failure to file or failure to pay which would not individually or in the aggregate, have a

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Materially Adverse effect on Acquireco. All such Tax Returns are true, correct and complete in all material respects and have been completed in accordance with applicable Laws. To the best of Acquireco's knowledge, no such Tax Return contains any misstatement or omits any statement that should have been included therein. No Tax Return has been amended.

(ii) Reserves and provisions for Taxes accrued but not yet due on or before the Effective Date as reflected in Acquireco's financial statements contained in the Filed Acquireco Public Disclosure Documents are adequate as of the date of such financial statements, in accordance with AIFRS. No material deficiencies for Taxes have been proposed, asserted or assessed against Acquireco that would reasonably by expected to be Materially Adverse to Acquireco.

(iii) Neither Acquireco nor any of its Subsidiaries has received any written notification that any issues involving a material amount of Taxes have been raised (and are currently pending) by the Australian Tax Office or any other taxing authority, including, without limitation, any sales tax authority, in connection with any of the Tax Returns filed or required to be filed, which would, individually or in the aggregate, be Materially Adverse to Acquireco.

(iv) No unresolved assessments, reassessments, audits, claims, actions, suits, proceedings, or investigations exist or have been initiated with regard to any Taxes or Tax Returns of Acquireco or its Subsidiaries. To the knowledge of Acquireco, no assessment, reassessment, audit or investigation by any Agency is underway, threatened or imminent with respect to Taxes for which Acquireco or any of its Subsidiaries may be liable, in whole or in part.

(v) No election, consent for extension, nor any waiver that extends any applicable statute of limitations relating to the determination of a Tax liability of Acquireco or any of its Subsidiaries has been filed or entered into and is still effective.

(vi) Acquireco and each of its Subsidiaries have properly withheld and remitted all amounts required to be withheld and/or remitted (including income tax and non-resident withholding tax) and have paid such amounts due to the appropriate authority on a timely basis and in the form required under the appropriate legislation except when the failure to do so would not individually or in the aggregate be Materially Adverse.

(vii) Acquireco and each of its Subsidiaries have duly and timely collected all amounts on account of any goods, services, sales, value added, transfer or other Taxes required to have been collected by it and have duly set aside in trust or timely remitted to the appropriate Agency any and all such amounts required to be remitted by it.

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(viii) Acquireco and each of its Subsidiaries is, and at all times has filed its Tax Returns on the basis that it is, resident for Tax purposes in its country of incorporation or formation and has not at any time been treated by any Agency as resident in any other country for any Tax purpose (including any treaty, convention or arrangement for the avoidance of double taxation). None of Acquireco or any of its Subsidiaries has filed any Tax Return on the basis that it is subject to Tax (other than withholding Tax) in any jurisdiction other than its country of incorporation or formation (and political subdivisions thereof) or received written notification from any Agency that it may be required to file on such basis.

(ix) There are no Tax liens on any assets of Acquireco or any of its Subsidiaries except for Taxes not yet currently due and those which would not reasonably be expected to be Materially Adverse to Acquireco.

(x) For purposes of this Section (k), the term "**material amount of Taxes**" shall mean an amount of Taxes that is material to Acquireco and its Subsidiaries taken as a whole.

(m) **Non-Arm's Length Transactions**. Other than as set out in the Acquireco Disclosure Statement, there are no current contracts, commitments, agreements, arrangements or other transactions (including relating to indebtedness by Acquireco or any of its Subsidiaries) between Acquireco or any of its Subsidiaries on the one hand, and any (a) officer or director of Acquireco or any of its Subsidiaries, (b) any holder of record or, to the knowledge of Acquireco, beneficial owner of five percent or more of the voting securities of Acquireco, or (c) any affiliate or associate of any officer, director or beneficial owner, on the other hand.

(n) **Books and Records.** The financial books, records and accounts of Acquireco and its Subsidiaries in all material respects, (i) have been maintained in accordance with AIFRS on a basis consistent with prior years, (ii) are stated in reasonable detail and accurately and fairly reflect the transactions and dispositions of the assets of Acquireco and its Subsidiaries and (iii) accurately and fairly reflect the basis for Acquireco consolidated financial statements. The corporate minute books of Acquireco and its Subsidiaries contain minutes of all meetings and resolutions of the directors and shareholders held, and access to non-confidential information has been provided to Acquireco.

(o) **Insurance.** Acquireco and its Subsidiaries maintain insurance coverage with reputable insurers in such amounts and covering such risks as are in accordance with normal industry practice for companies engaged in businesses similar to that of Acquireco and its Subsidiaries.

(p) **Litigation.** Except as disclosed in the Filed Acquireco Public Disclosure Documents, there is no suit, action or proceeding pending or, to the knowledge of Acquireco, threatened against Acquireco or any of its Subsidiaries that,

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individually or in the aggregate, would reasonably be expected to have a Materially Adverse effect on Acquireco and its Subsidiaries, taken as a whole, and there is not any judgement, decree, injunction, rule or order of any Agency or arbitrator outstanding against Acquireco or any of its Subsidiaries having, or which would reasonably be expected to have, a Materially Adverse effect on Acquireco and its Subsidiaries, taken as a whole. As of the date of this agreement, except as disclosed in the Filed Acquireco Public Disclosure Documents, there is no suit, action or proceeding pending, or, to the knowledge of Acquireco, threatened, against Acquireco or any of its Subsidiaries that, individually or in the aggregate, would reasonably be expected to prevent or delay in any material respect the consummation of the Transactions.

(q) **Determination by the Board.** The board of directors of each of Acquireco and Canco has unanimously determined and resolved at its respective meeting held on March 30, 2012:

(i) that the entering into of this agreement and the performance by Acquireco or Canco, as the case may be, of its obligations hereunder and the Transactions are in the best interests of Acquireco or Canco, as the case may be;

(ii) to approve the Transactions and this agreement; and

(iii) to recommend to Acquireco Shareholders to give the Acquireco Shareholder Approval.

(r) **Brokers.** Except as set forth in the Acquireco Disclosure Statement, no broker, investment banker, financial advisor or other person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the Transactions based upon arrangements made by or on behalf of Acquireco. Acquireco has made available to Target true and complete copies of all agreements that are referred to in Section (u) of the Acquireco Disclosure Statement and all indemnification and other agreements related to the engagement of the persons so listed.

(s) **Compliance.** Except for any conflicts, defaults or violations that would not, individually or in the aggregate (taking into account the impact of any cross-defaults), reasonably be expected to result in a Materially Adverse effect on Acquireco and its Subsidiaries, taken as a whole, each of Acquireco and its Subsidiaries has complied with, and is not in conflict with, or in default (including cross defaults) under or in violation of:

(i) its articles or other organizational documents or by-laws;

(ii) any Law or Permit applicable to it, its business or operations or by which any of its properties or assets is bound or affected; or

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(iii) any agreement, arrangement or understanding to which it, its business or operations or by which any of its properties or assets is bound or affected.

(t) **Dispositions of Company Property.** As at the date of this agreement, except as described in the Filed Acquireco Public Disclosure Documents, since 1 March 2012 neither Acquireco nor any of its Subsidiaries has sold or disposed of or ceased to hold or own any personal property, real property, any interest or rights with respect to real property (including exploration or production rights), any royalty interest or interest in a joint venture or other assets of properties of Acquireco or any of its Subsidiaries ("**Acquireco Property**"), other than any Acquireco Property having an individual fair market value of less than $1,000,000 in the aggregate, in each case in the ordinary course of business, consistent with past practice. Except as may be set forth in the Acquireco Disclosure Statement, as at the date of this agreement, no Acquireco Property, the fair market value of which on the date of this agreement is greater than $1,000,000 in the aggregate, is subject to any pending sale or disposition transaction.

(u) **Absence of Cease Trade Orders**. As at the date of this agreement, no order ceasing or suspending trading in Acquireco Shares (or any of them) or any other securities of Acquireco is outstanding and no proceedings for this purpose have been instituted or, to the knowledge of Acquireco, are pending, contemplated or threatened.

(v) **Issuance of Acquireco Shares and Exchangeable Shares**. All Acquireco Shares and Exchangeable Shares issuable in connection with the Arrangement will be duly authorized and validly issued as fully paid and non-assessable and will not be subject to any pre-emptive rights and will not be subject to any hold or restricted periods.

(w) **Investment Canada Act.** Acquireco qualifies as a "WTO investor", as such term is defined at subsection 14.1(6) of the Investment Canada Act.

(x) **Reservation of Shares**. Subject to Acquireco Shareholder Approval, as specified in this agreement, Acquireco has the ability and capacity to issue the Acquireco Shares, the Exchangeable Shares and the Acquireco Convertible Notes contemplated under this agreement and pursuant to the Arrangement.

(y) **Absence of Environmental Liabilities.** No environmental, reclamation or closure obligations or other liabilities for which Acquireco or any of its Subsidiaries would be liable or responsible presently exist with respect to any portion of any currently or formerly owned, leased, used or otherwise controlled property, interests or rights or relating to the operations and business of Acquireco or its Subsidiaries and there is no basis for any such obligations or liabilities to arise in the future as a result of any activity on or in respect of such property, interests, rights, operations and business, other than usual mine closure and reclamation obligations to be expected in the future in the ordinary course of doing mining, processing or other operations at the relevant time. Except as set

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forth in the Acquireco Disclosure Statement, neither Acquireco nor any of its Subsidiaries has received an inquiry from or notice of any pending investigation from any Agency or of any administrative or judicial proceeding concerning the violation of any applicable Law or any such environmental, reclamation or closure obligations or other liabilities.

(z) **Listing**. The Acquireco Shares are quoted for trading on the market conducted by ASX. From and after the Effective Time the Acquireco Shares included in the Acquireco Share Consideration shall be listed and quoted for trading on the market conducted by ASX, the Acquireco Shares issuable upon exchange of the Exchangeable Share Consideration shall, subject to such exchange, be listed and quoted for trading on the market conducted by ASX and the Acquireco Shares issuable upon conversion of the Acquireco Convertible Notes shall, subject to such conversion, be listed and quoted for trading on the market conducted by ASX.

(aa) **Foreign Private Issuer**. Each of Acquireco and Canco is a "foreign private issuer" as defined in Rule 405 of Regulation C under the U.S. Securities Act.

(bb) **Investment Company**. Neither Acquireco nor Canco is registered, or is required to be registered, as an "investment company" within the meaning of the United States Investment Company Act of 1940, as amended.

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SCHEDULE H

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SCHEDULE I
SUPPORT AGREEMENT

MEMORANDUM OF AGREEMENT made as of the <*> day of <*>, between Galaxy Resources Limited, a corporation existing under the laws of Australia (hereinafter referred to as "**Acquireco**"), Galaxy Lithium One (Québec) Inc., a corporation existing under the laws of Quebec (hereinafter referred to as "**Callco**") and Galaxy Lithium One Inc., a corporation existing under the laws of Quebec (hereinafter referred to as "**Canco**").

RECITALS:

(a) in connection with an arrangement agreement (the "**Arrangement Agreement**") made as of March 29, 2012 between Acquireco, Canco and Lithium One Inc. ("**Target**"), the Exchangeable Shares are to be issued to certain holders of securities of Target pursuant to the Plan of Arrangement contemplated by the Arrangement Agreement; and

(b) pursuant to the Arrangement Agreement, Acquireco, Canco and Callco are required to enter into this agreement.

In consideration of the foregoing and the mutual agreements contained herein (the receipt and sufficiency of which are acknowledged), the parties agree as follows:

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 Defined Terms

Each initially capitalized term used and not otherwise defined herein shall have the meaning ascribed thereto in the rights, privileges, restrictions and conditions (collectively, the "**Share Provisions**") attaching to the Exchangeable Shares as set out in the articles of Canco. In this agreement, "**including**" means "including without limitation" and "**includes**" means "includes without limitation".

1.2 Interpretation Not Affected by Headings

The division of this agreement into Articles, Sections and other portions and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this agreement. Unless otherwise specified, references to an "Article" or "Section" refer to the specified Article or Section of this agreement.

1.3 Number, Gender

Words importing the singular number only shall include the plural and vice versa. Words importing any gender shall include all genders.

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1.4 Date for any Action

If any date on which any action is required to be taken under this agreement is not a business day, such action shall be required to be taken on the next succeeding business day. For the purposes of this agreement, a "business day" means any day other than a Saturday, Sunday, a public holiday or a day on which commercial banks are not open for business in Toronto, Ontario, West Perth, Australia, under applicable law.

ARTICLE 2
COVENANTS OF ACQUIRECO AND CANCO

2.1 Covenants Regarding Exchangeable Shares

So long as any Exchangeable Shares not owned by Acquireco or its affiliates are outstanding, Acquireco shall:

(a) not declare or pay any dividend or make any other distribution on the Acquireco Shares unless (i) Canco shall (A) on the same day declare or pay, as the case may be, an equivalent dividend or other distribution (as provided for in the Share Provisions) on the Exchangeable Shares (an "**Equivalent Dividend**"), and (B) have sufficient money or other assets or authorized but unissued securities available to enable the due declaration and the due and punctual payment, in accordance with applicable law, of any such Equivalent Dividend, or (ii) Canco shall, in the case of a dividend that is a stock dividend on the Acquireco Shares (A) subdivide the Exchangeable Shares in lieu of a stock dividend thereon (as provided for in the Share Provisions) in a similar proportion to that in respect of the Acquireco Shares (an "**Equivalent Stock Subdivision**"), and (B) have sufficient authorized but unissued securities available to enable the Equivalent Stock Subdivision;

(b) advise Canco sufficiently in advance of the declaration by Acquireco of any dividend or other distribution on the Acquireco Shares and take all such other actions as are necessary or desirable, in co-operation with Canco, to ensure that (i) the respective declaration date, record date and payment date for an Equivalent Dividend on the Exchangeable Shares shall be the same as the declaration date, record date and payment date for the corresponding dividend or other distribution on the Acquireco Shares, or (ii) the record date and effective date for an Equivalent Stock Subdivision shall be the same as the record date and payment date for the corresponding stock dividend on the Acquireco Shares;

(c) ensure that the record date for any dividend or other distribution declared on the Acquireco Shares is not less than seven (7) days after the declaration date of such dividend or other distribution and at least seven (7) days prior written notice of the dividend or other distribution is issued or distributed to holders of Exchangeable Shares;

(d) take all such actions and do all such things as are necessary to enable and permit Canco, in accordance with applicable Law, to pay and otherwise perform its

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obligations with respect to the satisfaction of the Liquidation Amount, the Retraction Price or the Redemption Price in respect of each issued and outstanding Exchangeable Share (other than Exchangeable Shares owned by Acquireco or its affiliates) upon the liquidation, dissolution or winding-up of Canco or any other distribution of the assets of Canco among its shareholders for the purpose of winding up its affairs, the delivery of a Retraction Request by a holder of Exchangeable Shares or a redemption of Exchangeable Shares by Canco, as the case may be, including all such actions and all such things as are necessary or desirable to enable and permit Canco to cause to be delivered Acquireco Shares to the holders of Exchangeable Shares in accordance with the provisions of Sections 5, 6 or 7, as the case may be, of the Share Provisions;

(e) take all such actions and do all such things as are necessary or desirable to enable and permit Callco, in accordance with applicable law, to perform its obligations arising upon the exercise by it of the Liquidation Call Right, the Retraction Call Right, the Change of Law Call Right (as defined in the Plan of Arrangement) or the Redemption Call Right, including all such actions and all such things as are necessary or desirable to enable and permit Callco to cause to be delivered Acquireco Shares to the holders of Exchangeable Shares in accordance with the provisions of the Liquidation Call Right, the Retraction Call Right, the Change of Law Call Right or the Redemption Call Right, as the case may be; and

(f) except in connection with any event, circumstance or action which causes or could cause the occurrence of a Redemption Date, not exercise its vote as a shareholder to initiate the voluntary liquidation, dissolution or winding up of Canco or Callco or any other distribution of the assets of Canco or Callco among its shareholders for the purpose of winding up its affairs, nor take any action or omit to take any action that is designed to result in the liquidation, dissolution or winding up of Canco or any other distribution of the assets of Canco among its shareholders for the purpose of winding up its affairs.

2.2 **Segregation of Funds**

Acquireco shall cause Canco to deposit a sufficient amount of funds in a separate account of Canco and segregate a sufficient amount of such other assets and property as is necessary to enable Canco to pay dividends when due (including, without limitation, the Equivalent Dividend) and to pay or otherwise satisfy its respective obligations under Sections 5, 6 and 7 of the Share Provisions, as applicable.

2.3 **Reservation of Acquireco Shares**

Acquireco hereby represents, warrants and covenants in favour of Canco and Callco that Acquireco has reserved for issuance and shall, at all times while any Exchangeable Shares (other than Exchangeable Shares held by Acquireco or its affiliates) are outstanding, keep available, free from pre-emptive and other rights, out of its authorized and unissued capital stock such number of Acquireco Shares (or other shares or securities into which Acquireco Shares may be reclassified or changed as contemplated by Section 2.7): (a) as is equal to the sum of (i) the

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number of Exchangeable Shares issued and outstanding from time to time and (ii) the number of Exchangeable Shares issuable upon the exercise of all rights to acquire Exchangeable Shares outstanding from time to time; and (b) as are now and may hereafter be required to enable and permit Acquireco to meet its obligations under the Voting and Exchange Trust Agreement and under any other security or commitment pursuant to which Acquireco may now or hereafter be required to issue Acquireco Shares, to enable and permit Callco or Acquireco, as the case may be, to meet its obligations under each of the Liquidation Call Right, the Retraction Call Right, the Change of Law Call Right and the Redemption Call Right and to enable and permit Canco to meet its obligations hereunder and under the Share Provisions.

2.4 **Notification of Certain Events**

In order to assist Acquireco to comply with its obligations hereunder and to permit Callco or Acquireco to exercise, as the case may be, the Liquidation Call Right, the Retraction Call Right, the Change of Law Call Right and the Redemption Call Right, Canco shall notify Acquireco and Callco of each of the following events at the time set forth below:

(a) in the event of any determination by the Board of Directors of Canco to institute voluntary liquidation, dissolution or winding-up proceedings with respect to Canco or to effect any other distribution of the assets of Canco among its shareholders for the purpose of winding up its affairs, at least 60 days prior to the proposed effective date of such liquidation, dissolution, winding-up or other distribution;

(b) promptly, upon the earlier of receipt by Canco of notice of and Canco otherwise becoming aware of any threatened or instituted claim, suit, petition or other proceedings with respect to the involuntary liquidation, dissolution or winding-up of Canco or to effect any other distribution of the assets of Canco among its shareholders for the purpose of winding up its affairs;

(c) immediately, upon receipt by Canco of a Retraction Request;

(d) on the same date on which notice of redemption is given to holders of Exchangeable Shares, upon the determination of a Redemption Date in accordance with the Share Provisions;

(e) as soon as practicable upon the issuance by Canco of any Exchangeable Shares or rights to acquire Exchangeable Shares (other than the issuance of Exchangeable Shares and rights to acquire Exchangeable Shares pursuant to the Arrangement); and

(f) promptly, upon receiving notice of a Change of Law (as defined in the Plan of Arrangement).

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2.5 **Delivery of Acquireco Shares to Canco and Callco**

In furtherance of its obligations under Section 2.1(d) and Section 2.1(e), upon notice from Canco or Callco of any event that requires Canco or Callco to cause to be delivered Acquireco Shares to any holder of Exchangeable Shares, Acquireco shall forthwith allot, issue and deliver or cause to be delivered to the relevant holder of Exchangeable Shares as directed by Canco or Callco the requisite number of Acquireco Shares to be allotted to, received by, and issued to or to the order of, the former holder of the surrendered Exchangeable Shares (but, for the avoidance of doubt, not to Canco or Callco). All such Acquireco Shares shall be duly authorized and validly issued as fully paid and shall be free and clear of any lien, claim or encumbrance. In consideration of the issuance and delivery of each such Acquireco Share, Canco or Callco, as the case may be, shall ascribe a cash amount or pay a purchase price equal to the fair market value of such Acquireco Shares.

2.6 **Qualification of Acquireco Shares**

If any Acquireco Shares (or other shares or securities into which Acquireco Shares may be reclassified or changed as contemplated by Section 2.7) to be issued and delivered hereunder require registration or qualification with or approval of or the filing of any document, including any prospectus or similar document or the taking of any proceeding with or the obtaining of any order, ruling or consent from any governmental or regulatory authority under any Australian or Canadian federal, state, provincial or territorial securities or other Law or regulation or pursuant to the rules and regulations of any securities or other regulatory authority in Australia or Canada or the fulfillment of any other Australian or Canadian legal requirement before such shares (or such other shares or securities) may be issued by Acquireco and delivered by Acquireco at the direction of Callco or Canco, if applicable, to the holder of surrendered Exchangeable Shares or in order that such shares (or such other shares or securities) may be freely traded (other than any restrictions of general application on transfer by reason of a holder being a "**control person**" for purposes of Canadian federal, provincial or territorial securities Law or the equivalent thereof under any Australian Laws), Acquireco shall use its commercially reasonable efforts (which, for greater certainty, shall not require Acquireco to consent to a term or condition of an approval or consent which Acquireco reasonably determines could have a materially adverse effect on Acquireco or its subsidiaries) to cause such Acquireco Shares (or such other shares or securities) to be and remain duly registered, qualified or approved under Australian and/or Canadian Law as freely tradeable shares. Acquireco shall use its commercially reasonable efforts (which, for greater certainty, shall not require Acquireco to consent to a term or condition of an approval or consent which Acquireco reasonably determines could have a materially adverse effect on Acquireco or its subsidiaries) to cause all Acquireco Shares (or such other shares or securities) to be delivered hereunder to be listed, quoted or posted for trading on all stock exchanges and quotation systems on which outstanding Acquireco Shares (or such other shares or securities) have been listed by Acquireco and remain listed and are quoted or posted for trading at such time.

2.7 **Economic Equivalence**

So long as any Exchangeable Shares not owned by Acquireco or its affiliates are outstanding:

(a) Acquireco shall not without prior approval of Canco and the prior approval of the holders of the Exchangeable Shares given in accordance with Section 12(2) of the Share Provisions:

(i) issue or distribute Acquireco Shares (or securities exchangeable for or convertible into or carrying rights to acquire Acquireco Shares) to the holders of all or substantially all of the then outstanding Acquireco Shares by way of stock dividend or other distribution, other than an issue of Acquireco Shares (or securities exchangeable for or convertible into or carrying rights to acquire Acquireco Shares) to holders of Acquireco Shares (i) who exercise an option to receive dividends in Acquireco Shares (or securities exchangeable for or convertible into or carrying rights to acquire Acquireco Shares) in lieu of receiving cash dividends, or (ii) pursuant to any dividend reinvestment plan or similar arrangement; or

(ii) issue or distribute rights, options or warrants to the holders of all or substantially all of the then outstanding Acquireco Shares entitling them to subscribe for or to purchase Acquireco Shares (or securities exchangeable for or convertible into or carrying rights to acquire Acquireco Shares); or

(iii) issue or distribute to the holders of all or substantially all of the then outstanding Acquireco Shares (A) shares or securities (including evidence of indebtedness) of Acquireco of any class (other than Acquireco Shares or securities convertible into or exchangeable for or carrying rights to acquire Acquireco Shares), or (B) rights, options, warrants or other assets other than those referred to in Section 2.7(a)(ii) or (C) assets of Acquireco;

unless in each case the economic equivalent on a per share basis of such rights, options, securities, shares, evidences of indebtedness or other assets is issued or distributed simultaneously to holders of the Exchangeable Shares and at least seven (7) days prior written notice thereof is given to the holders of Exchangeable Shares; provided that, for greater certainty, the above restrictions shall not apply to any securities issued or distributed by Acquireco in order to give effect to and to consummate, is in furtherance of or is otherwise in connection with the transactions contemplated by, and in accordance with, the Plan of Arrangement.

(b) Acquireco shall not without the prior approval of Canco and the prior approval of the holders of the Exchangeable Shares given in accordance with Section 12(2) of the Share Provisions:

(i) subdivide, redivide or change the then outstanding Acquireco Shares into a greater number of Acquireco Shares; or

(ii) reduce, combine, consolidate or change the then outstanding Acquireco Shares into a lesser number of Acquireco Shares; or

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(iii) reclassify or otherwise change Acquireco Shares or effect an amalgamation, merger, arrangement, reorganization or other transaction affecting Acquireco Shares;

unless the same or an economically equivalent change shall simultaneously be made to, or in the rights of the holders of, the Exchangeable Shares and at least seven days prior written notice is given to the holders of Exchangeable Shares.

(c) Acquireco shall ensure that the record date for any event referred to in Section 2.7(a) or Section 2.7(b), or (if no record date is applicable for such event) the effective date for any such event, is not less than seven business days after the date on which such event is declared or announced by Acquireco (with contemporaneous notification thereof by Acquireco to Canco).

(d) The Board of Directors of Canco shall determine, acting in good faith and in its sole discretion, economic equivalence for the purposes of any event referred to in Section 2.7(a) or Section 2.7(b) and each such determination shall be conclusive and binding on Acquireco. In making each such determination, the following factors shall, without excluding other factors determined by the Board of Directors of Canco to be relevant, be considered by the Board of Directors of Canco:

(i) in the case of any stock dividend or other distribution payable in Acquireco Shares, the number of such shares issued in proportion to the number of Acquireco Shares previously outstanding;

(ii) in the case of the issuance or distribution of any rights, options or warrants to subscribe for or purchase Acquireco Shares (or securities exchangeable for or convertible into or carrying rights to acquire Acquireco Shares), the relationship between the exercise price of each such right, option or warrant and the Current Market Price of a Acquireco Share;

(iii) in the case of the issuance or distribution of any other form of property (including any shares or securities of Acquireco of any class other than Acquireco Shares, any rights, options or warrants other than those referred to in Section 2.7(d)(ii), any evidences of indebtedness of Acquireco or any assets of Acquireco), the relationship between the fair market value (as determined by the Board of Directors of Canco in the manner above contemplated) of such property to be issued or distributed with respect to each outstanding Acquireco Share and the Current Market Price of a Acquireco Share;

(iv) in the case of any subdivision, redivision or change of the then outstanding Acquireco Shares into a greater number of Acquireco Shares or the reduction, combination, consolidation or change of the then outstanding Acquireco Shares into a lesser number of Acquireco Shares or any amalgamation, merger, arrangement, reorganization or other transaction

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affecting Acquireco Shares, the effect thereof upon the then outstanding Acquireco Shares; and

(v) in all such cases, the general taxation consequences of the relevant event to holders of Exchangeable Shares to the extent that such consequences may differ from the taxation consequences to holders of Acquireco Shares as a result of differences between taxation Laws of Canada and the Australia (except for any differing consequences arising as a result of differing withholding taxes and marginal taxation rates and without regard to the individual circumstances of holders of Exchangeable Shares).

(e) Canco agrees that, to the extent required, upon due notice from Acquireco, Canco shall use its best efforts to take or cause to be taken such steps as may be necessary for the purposes of ensuring that appropriate dividends are paid or other distributions are made by Canco, or subdivisions, redivisions or changes are made to the Exchangeable Shares, in order to implement the required economic equivalence with respect to the Acquireco Shares and Exchangeable Shares as provided for in this Section 2.7.

2.8 **Tender Offers**

In the event that a tender offer, share exchange offer, issuer bid, take-over bid or similar transaction with respect to Acquireco Shares (an "**Offer**") is proposed by Acquireco or is proposed to Acquireco or its shareholders and is recommended by the Board of Directors of Acquireco, or is otherwise effected or to be effected with the consent or approval of the Board of Directors of Acquireco, and the Exchangeable Shares are not redeemed by Canco or purchased by Callco pursuant to the Redemption Call Right, Acquireco shall expeditiously and in good faith take all such actions and do all such things as are necessary or desirable to enable and permit holders of Exchangeable Shares (other than Acquireco and its affiliates) to participate in such Offer to the same extent and on an economically equivalent basis as the holders of Acquireco Shares, without discrimination. Without limiting the generality of the foregoing, Acquireco shall expeditiously and in good faith take all such actions and do all such things as are necessary or desirable to ensure that holders of Exchangeable Shares may participate in each such Offer without being required to retract Exchangeable Shares as against Canco (or, if so required, to ensure that any such retraction, shall be effective only upon, and shall be conditional upon, the closing of such Offer and only to the extent necessary to tender or deposit to the Offer). Nothing herein shall affect the rights of Canco to redeem (or Callco to purchase pursuant to the Redemption Call Right) Exchangeable Shares, as applicable, in the event of an Acquireco Control Transaction.

2.9 **Ownership of Outstanding Shares**

Without the prior approval of Canco and the prior approval of the holders of the Exchangeable Shares given in accordance with Section 12(2) of the Share Provisions, Acquireco covenants and agrees in favour of Canco that, as long as any outstanding Exchangeable Shares are owned by any person other than Acquireco or any of its affiliates, Acquireco shall be and remain the direct or indirect beneficial owner of all issued and outstanding voting shares in the capital of Canco

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and Callco. Notwithstanding the foregoing, but subject to Article 3, Acquireco shall not be in violation of this Section 2.9 if any person or group of persons acting jointly or in concert acquire all or substantially all of the assets of Acquireco or the Acquireco Shares pursuant to any merger of Acquireco pursuant to which Acquireco was not the surviving corporation.

2.10 **Acquireco and Affiliates Not to Vote Exchangeable Shares**

Acquireco covenants and agrees that it shall appoint and cause to be appointed proxyholders with respect to all Exchangeable Shares held by it and its affiliates for the sole purpose of attending each meeting of holders of Exchangeable Shares in order to be counted as part of the quorum for each such meeting. Acquireco further covenants and agrees that it shall not, and shall cause its affiliates not to, exercise any voting rights which may be exercisable by holders of Exchangeable Shares from time to time pursuant to the Share Provisions or pursuant to the provisions of the QBCA (or any successor or other corporate statute by which Canco may in the future be governed) with respect to any Exchangeable Shares held by it or by its affiliates in respect of any matter considered at any meeting of holders of Exchangeable Shares.

2.11 **Ordinary Market Purchases**

For certainty, nothing contained in this agreement, including the obligations of Acquireco contained in Section 2.8, shall limit the ability of Acquireco (or any of its subsidiaries including, without limitation, Callco or Canco) to make ordinary market purchases of Acquireco Shares in accordance with applicable laws and regulatory or stock exchange requirements.

2.12 **Stock Exchange Listing**

Acquireco covenants and agrees in favour of Canco that, as long as any outstanding Exchangeable Shares are owned by any person other than Acquireco or any of its affiliates, Acquireco shall use reasonable efforts to maintain a listing for such Acquireco Shares on the ASX.

ARTICLE 3
ACQUIRECO SUCCESSORS

3.1 **Certain Requirements in Respect of Combination, etc.**

So long as any Exchangeable Shares not owned by Acquireco or its affiliates are outstanding, Acquireco shall not consummate any transaction (whether by way of reconstruction, reorganization, consolidation, arrangement, amalgamation, merger, transfer, sale, lease or otherwise) whereby all or substantially all of its undertaking, property and assets would become the property of any other person or, in the case of a merger, of the continuing corporation resulting therefrom, provided that it may do so if:

(a) such other person or continuing corporation (the "**Acquireco Successor**") by operation of law, becomes, without more, bound by the terms and provisions of this agreement or, if not so bound, executes, prior to or contemporaneously with the consummation of such transaction, an agreement supplemental hereto and such other instruments (if any) as are necessary or advisable to evidence the

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assumption by the Acquireco Successor of liability for all moneys payable and property deliverable hereunder and the covenant of such Acquireco Successor to pay and deliver or cause to be delivered the same and its agreement to observe and perform all the covenants and obligations of Acquireco under this agreement; and

(b) such transaction shall be upon such terms and conditions as to preserve and not to impair in any material respect any of the rights, duties, powers and authorities of the other parties hereunder or the holders of the Exchangeable Shares.

3.2 **Vesting of Powers in Successor**

Whenever the conditions of Section 3.1 have been duly observed and performed, the parties, if required by Section 3.1, shall execute and deliver the supplemental agreement provided for in Section 3.1(a) and thereupon the Acquireco Successor and such other person that may then be the issuer of the Acquireco Shares shall possess and from time to time may exercise each and every right and power of Acquireco under this agreement in the name of Acquireco or otherwise and any act or proceeding by any provision of this agreement required to be done or performed by the Board of Directors of Acquireco or any officers of Acquireco may be done and performed with like force and effect by the directors or officers of such Acquireco Successor.

3.3 **Wholly-Owned Subsidiaries**

Nothing herein shall be construed as preventing (i) the amalgamation or merger of any wholly-owned direct or indirect subsidiary of Acquireco with or into Acquireco (other than Canco or Callco), (ii) the winding-up, liquidation or dissolution of any wholly-owned direct or indirect subsidiary of Acquireco, provided that all of the assets of such subsidiary are transferred to Acquireco or another wholly-owned direct or indirect subsidiary of Acquireco, or (iii) any other distribution of the assets of any wholly-owned direct or indirect subsidiary of Acquireco among the shareholders of such subsidiary for the purpose of winding up its affairs (other than Canco or Callco, unless done so in accordance with the terms of this Agreement and the Share Provisions), and any such transactions are expressly permitted by this Article 3.

3.4 **Successorship Transaction**

Notwithstanding the foregoing provisions of Article 3, in the event of an Acquireco Control Transaction:

(a) in which Acquireco merges or amalgamates with, or in which all or substantially all of the then outstanding Acquireco Shares are acquired by, one or more other corporations to which Acquireco is, immediately before such merger, amalgamation or acquisition, "related" within the meaning of the Tax Act (otherwise than by virtue of a right referred to in paragraph 251(5)(b) thereof);

(b) which does not result in an acceleration of the Redemption Date in accordance with paragraph (b) of the definition of Redemption Date in section 1(1) of the Share Provisions; and

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(c) in which all or substantially all of the then outstanding Acquireco Shares are converted into or exchanged for shares or rights to receive such shares (the "**Other Shares**") or another corporation (the "**Other Corporation**") that, immediately after such Acquireco Control Transaction, owns or controls, directly or indirectly, Acquireco;

then all references herein to "Acquireco" shall thereafter be and be deemed to be references to "Other Corporation" and all references herein to "Acquireco Shares" shall thereafter be and be deemed to be references to "Other Shares" (with appropriate adjustments if any, as are required to result in a holder of Exchangeable Shares on the exchange, redemption or retraction of such shares pursuant to the Exchangeable Share Provisions or Article 5 of the Plan of Arrangement or exchange of such shares pursuant to the Voting and Exchange Trust Agreement immediately subsequent to the Acquireco Control Transaction being entitled to receive that number of Other Shares equal to the number of Other Shares such holder of Exchangeable Shares would have received if the exchange, redemption or retraction of such shares pursuant to the Exchangeable Share Provisions or Article 5 of the Plan of Arrangement, or exchange of such shares pursuant to the Voting and Exchange Trust Agreement had occurred immediately prior to the Acquireco Control Transaction and the Acquireco Control Transaction was completed) without any need to amend the terms and conditions of the Exchangeable Shares and without any further action required.

ARTICLE 4
GENERAL

4.1 Term

This agreement shall come into force and be effective as of the date hereof and shall terminate and be of no further force and effect at such time as no Exchangeable Shares (or securities or rights convertible into or exchangeable for or carrying rights to acquire Exchangeable Shares) are held by any person other than Acquireco and any of its affiliates.

4.2 Changes in Capital of Acquireco and Canco

At all times after the occurrence of any event contemplated pursuant to Section 2.7 and Section 2.8 or otherwise, as a result of which either Acquireco Shares or the Exchangeable Shares or both are in any way changed, this agreement shall forthwith be amended and modified as necessary in order that it shall apply with full force and effect, mutatis mutandis, to all new securities into which Acquireco Shares or the Exchangeable Shares or both are so changed and the parties hereto shall execute and deliver an agreement in writing giving effect to and evidencing such necessary amendments and modifications.

4.3 Severability

If any term or other provision of this agreement is invalid, illegal or incapable of being enforced by any rule or law, or public policy, all other conditions and provisions of this agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being

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enforced, the parties hereto shall negotiate in good faith to modify this agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

4.4 **Amendments, Modifications**

(a) Subject to Section 4.2, Section 4.3 and Section 4.5 this agreement may not be amended or modified except by an agreement in writing executed by Canco, Callco and Acquireco and approved by the holders of the Exchangeable Shares in accordance with Section 12(2) of the Share Provisions.

(b) No amendment or modification or waiver of any of the provisions of this agreement otherwise permitted hereunder shall be effective unless made in writing and signed by all of the parties hereto.

4.5 **Ministerial Amendments**

Notwithstanding the provisions of Section 4.4, the parties to this agreement may in writing at any time and from time to time, without the approval of the holders of the Exchangeable Shares, amend or modify this agreement for the purposes of:

(a) adding to the covenants of any or all parties provided that the Board of Directors of each of Canco, Callco and Acquireco shall be of the good faith opinion that such additions will not be prejudicial to the rights or interests of the holders of the Exchangeable Shares;

(b) making such amendments or modifications not inconsistent with this agreement as may be necessary or desirable with respect to matters or questions which, in the good faith opinion of the Board of Directors of each of Canco, Callco and Acquireco, it may be expedient to make, provided that each such Board of Directors shall be of the good faith opinion that such amendments or modifications will not be prejudicial to the rights or interests of the holders of the Exchangeable Shares; or

(c) making such changes or corrections which, on the advice of counsel to Canco, Callco and Acquireco, are required for the purpose of curing or correcting any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error, provided that the Boards of Directors of each of Canco, Callco and Acquireco shall be of the good faith opinion that such changes or corrections will not be prejudicial to the rights or interests of the holders of the Exchangeable Shares.

4.6 **Meeting to Consider Amendments**

Canco, at the request of Acquireco, shall call a meeting or meetings of the holders of the Exchangeable Shares for the purpose of considering any proposed amendment or modification

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requiring approval pursuant to Section 4.4. Any such meeting or meetings shall be called and held in accordance with the bylaws of Canco, the Share Provisions and all applicable laws.

4.7 **Enurement**

This agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and assigns.

4.8 **Notices to Parties**

Any notice and other communications required or permitted to be given pursuant to this agreement shall be sufficiently given if delivered in person or if sent by facsimile transmission (provided such transmission is recorded as being transmitted successfully) to the parties at the following addresses:

(i) in the case of Acquireco, Canco or Callco to the following address:

Galaxy Resources Limited
Attn: Mr Iggy Tan
Managing Director
Level 2, 16 Ord Street
West Perth, WA 6005

Tel: +61 8 9215 1700
Fax: +61 8 9215 1799

with a copy to (which shall not constitute notice):

Fasken Martineau DuMoulin LLP
Attn: Mr Peter Villani
Stock Exchange Tower
Suite 3400
800 Place Victoria
Montréal QC H4Z 1E9
Canada

Tel: +1 514 397 4316
Fax: +1 514 397 7600

or at such other address as the party to which such notice or other communication is to be given has last notified the party given the same in the manner provided in this section, and if not given the same shall be deemed to have been received on the date of such delivery or sending.

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4.9 **Counterparts**

This agreement may be executed in counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument.

4.10 **Jurisdiction**

This agreement shall be construed and enforced in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. Each party hereto irrevocably submits to the non-exclusive jurisdiction of the courts of the Province of Ontario with respect to any matter arising hereunder or related hereto.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be duly executed as of the date first above written.

GALAXY RESOURCES LIMITED

By: _____
Name:
Title:

By: _____
Name:
Title:

GALAXY LITHIUM ONE (QUEBEC) INC.

By: _____
Name:
Title:

GALAXY LITHIUM ONE INC.

By: _____
Name:
Title:

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SCHEDULE J
VOTING AND EXCHANGE TRUST AGREEMENT

MEMORANDUM OF AGREEMENT made as of the <*> day of <*>, between Galaxy Resources Limited, a corporation existing under the laws of Australia (hereinafter referred to as "**Acquireco**"), Galaxy Lithium One Inc., a corporation existing under the laws of Quebec (hereinafter referred to as "**Canco**"), and Computershare Trust Company of Canada, a trust company incorporated under the laws of Canada (hereinafter referred to as the "**Trustee**").

RECITALS:

A. In connection with an agreement (as may be amended, supplemented and/or restated, the "**Arrangement Agreement**") made as of March 29, 2012, between Acquireco, Canco and Target, the Exchangeable Shares are to be issued to certain holders of securities of Target pursuant to the Plan of Arrangement contemplated in the Arrangement Agreement;

B. Pursuant to the Arrangement Agreement, Acquireco and Canco are required to enter into this agreement.

In consideration of the foregoing and the mutual agreements contained herein (the receipt and sufficiency of which are acknowledged), the parties agree as follows:

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this agreement, each initially capitalized term used and not otherwise defined herein shall have the meaning ascribed thereto in the rights, privileges, restrictions and conditions (collectively, the "**Share Provisions**") attaching to the Exchangeable Shares as set out in the articles of Canco and the following terms shall have the following meanings:

"**Acquireco Consent**" has the meaning ascribed thereto in Section 4.2(a).

"**Acquireco Meeting**" has the meaning ascribed thereto in Section 4.2.

"**Acquireco Special Voting Shares**" means the special voting shares in the capital of Acquireco which entitle the holder of record of each share one vote per share at meetings of holders of Acquireco Shares and in number outstanding at any time equal to the number of Exchangeable Shares outstanding from time to time (excluding Exchangeable Shares held by Acquireco and affiliates of Acquireco), which shares are to be issued to and voted by, the Trustee as described herein.

"**Acquireco Successor**" has the meaning ascribed thereto in Section 10.1(a).

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"**Authorized Investments**" means short term interest-bearing or discount debt obligations issued or guaranteed by the Government of Canada or any province thereof or a Canadian chartered bank (which may include an affiliate or related party of the Trustee), maturing not more than one year from the date of investment, provided that each such obligation is rated at least RI (middle) by DBRS Inc. or any equivalent rating by Canadian Bond Rating Service.

"**Automatic Exchange Right**" means the benefit of the obligation of Acquireco to effect the automatic exchange of Exchangeable Shares for Acquireco Shares pursuant to Section 5.12.

"**Beneficiaries**" means the registered holders from time to time of Exchangeable Shares, other than Acquireco's affiliates.

"**Beneficiary Votes**" has the meaning ascribed thereto in Section 4.2.

"**Board of Directors**" means the Board of Directors of Canco.

"**Exchange Right**" has the meaning ascribed thereto in Section 5.1.

"**Exchangeable Shares**" means the exchangeable shares in the capital of Canco as more particularly described in Appendix 1 to Schedule B.

"**including**" means "including without limitation" and "**includes**" means "includes without limitation".

"**Indemnified Parties**" has the meaning ascribed thereto in Section 8.1.

"**Insolvency Event**" means (i) the institution by Canco of any proceeding to be adjudicated a bankrupt or insolvent or to be wound up, or the consent of Canco to the institution of bankruptcy, insolvency or winding-up proceedings against it, or (ii) the filing of a petition, answer or consent seeking dissolution or winding-up under any bankruptcy, insolvency or analogous laws, including the *Companies Creditors' Arrangement Act* (Canada) and the *Bankruptcy and Insolvency Act* (Canada), and the failure by Canco to contest in good faith any such proceedings commenced in respect of Canco within 30 days of becoming aware thereof, or the consent by Canco to the filing of any such petition or to the appointment of a receiver, or (iii) the making by Canco of a general assignment for the benefit of creditors, or the admission in writing by Canco of its inability to pay its debts generally as they become due, or (iv) Canco not being permitted, pursuant to solvency requirements of applicable law, to redeem any Retracted Shares pursuant to Section 10(2) of the Share Provisions.

"**Liquidation Event**" has the meaning ascribed thereto in Section 5.12(2).

"**Liquidation Event Effective Date**" has the meaning ascribed thereto in Section 5.12(3).

"**List**" has the meaning ascribed thereto in Section 4.6.

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"**Officer's Certificate**" means, with respect to Acquireco or Canco, as the case may be, a certificate signed by any officer or director of Acquireco or Canco, as the case may be.

"**Support Agreement**" means that certain support agreement of even date between Canco, Callco and Acquireco in the form of Schedule I to the Arrangement Agreement, as amended in accordance with the terms of the Support Agreement.

"**Trust**" means the trust created by this agreement.

"**Trust Estate**" means the Acquireco Special Voting Shares, any other securities, the Automatic Exchange Right, the Exchange Right and any money or other property which may be held by the Trustee from time to time pursuant to this agreement.

"**Trustee**" means Computershare Trust Company of Canada and, subject to the provisions of Article 9, includes any successor trustee.

"**Voting Rights**" means the voting rights attached to the Acquireco Special Voting Shares.

1.2 **Interpretation Not Affected by Headings, etc.**

The division of this agreement into Articles, sections and other portions and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this agreement. Unless otherwise specified, references to an "Article" or "section" refer to the specified Article or section of this agreement.

1.3 **Number, Gender, etc.**

Words importing the singular number only shall include the plural and vice versa. Words importing any gender shall include all genders.

1.4 **Date for any Action**

If any date on which any action is required to be taken under this agreement is not a business day, such action shall be required to be taken on the next succeeding business day.

ARTICLE 2
PURPOSE OF AGREEMENT

2.1 **Establishment of Trust**

The purpose of this agreement is to create the Trust for the benefit of the Beneficiaries as herein provided. Acquireco, as the settlor of the Trust, hereby appoints the Trustee as trustee of the Trust. The delivery by Acquireco of $1.00 for the purpose of settling the Trust is hereby acknowledged by the Trustee. The Trustee shall hold the Acquireco Special Voting Shares in order to enable the Trustee to exercise the Voting Rights and shall hold the Automatic Exchange Right and the Exchange Right in order to enable the Trustee to exercise such rights, in each case as trustee for and on behalf of the Beneficiaries as provided in this agreement. It is agreed that

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the number of Acquireco Special Voting Shares outstanding at any time shall be equal to the number of Exchangeable Shares outstanding at any time.

ARTICLE 3
ACQUIRECO SPECIAL VOTING SHARES

3.1 Issue and Ownership of the Acquireco Special Voting Shares

Immediately following execution of this agreement, Acquireco shall issue to the Trustee the Acquireco Special Voting Shares (and shall deliver the certificate representing such shares to the Trustee) to be hereafter held of record by the Trustee as trustee for and on behalf of, and for the use and benefit of, the Beneficiaries and in accordance with the provisions of this agreement. Acquireco hereby acknowledges receipt from the Trustee as trustee for and on behalf of the Beneficiaries of $1.00 and other good and valuable consideration (and the adequacy thereof) for the issuance of the Acquireco Special Voting Shares by Acquireco to the Trustee. During the term of the Trust and subject to the terms and conditions of this agreement, the Trustee shall possess and be vested with full legal ownership of the Acquireco Special Voting Shares and shall be entitled to exercise all of the rights and powers of an owner with respect to the Acquireco Special Voting Shares provided that the Trustee shall:

(a) hold the Acquireco Special Voting Shares and the legal title thereto as trustee solely for the use and benefit of the Beneficiaries in accordance with the provisions of this agreement; and

(b) except as specifically authorized by this agreement, have no power or authority to sell, transfer, vote or otherwise deal in or with the Acquireco Special Voting Shares and no Acquireco Special Voting Shares shall be used or disposed of by the Trustee for any purpose other than the purposes for which this Trust is created pursuant to this agreement.

3.2 Legended Share Certificates

Canco shall cause each certificate representing Exchangeable Shares to bear an appropriate legend notifying the Beneficiaries of their right to instruct the Trustee with respect to the exercise of the portion of the Voting Rights in respect of the Exchangeable Shares of the Beneficiaries.

3.3 Safe Keeping of Certificate

The certificate representing the Acquireco Special Voting Shares shall at all times be held in safe keeping by the Trustee or its duly authorized agent.

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ARTICLE 4
EXERCISE OF VOTING RIGHTS

4.1 Voting Rights

The Trustee, as the holder of record of the Acquireco Special Voting Shares, shall be entitled to all of the Voting Rights, including the right to vote in person or by proxy attaching to the Acquireco Special Voting Shares on any matters, questions, proposals or propositions whatsoever that may properly come before the shareholders of Acquireco at an Acquireco Meeting. The Voting Rights shall be and remain vested in and exercised by the Trustee subject to the terms of this agreement. Subject to Section 6.15:

(a) the Trustee shall exercise the Voting Rights only on the basis of instructions received pursuant to this Article 4 from Beneficiaries on the record date established by Acquireco or by applicable law for such Acquireco Meeting or Acquireco Consent; and

(b) to the extent that no instructions are received from a Beneficiary with respect to the Voting Rights to which such Beneficiary is entitled, the Trustee shall not exercise or permit the exercise of such Voting Rights.

4.2 Number of Votes

(1) With respect to all meetings of shareholders of Acquireco at which holders of Acquireco Shares are entitled to vote (each, an "**Acquireco Meeting**") and with respect to all written consents sought from shareholders of Acquireco, including holders of the Acquireco Shares (each, an "**Acquireco Consent**"), each Beneficiary shall be entitled to instruct the Trustee to cast and exercise for each Exchangeable Share owned of record by a Beneficiary on the record date established by Acquireco or by applicable law for such Acquireco Meeting or Acquireco Consent, as the case may be (collectively, the "**Beneficiary Votes**"), in respect of each matter, question, proposal or proposition to be voted on at such Acquireco Meeting or consented to in connection with such Acquireco Consent, a pro rata number of Voting Rights determined by reference to the total number of outstanding Exchangeable Shares not owned by Acquireco and its affiliates on the record date established by Acquireco or by applicable law for such Acquireco Meeting or Acquireco Consent.

(2) The aggregate Voting Rights on a poll at an Acquireco Meeting shall consist of a number of votes equal to one vote per outstanding Exchangeable Share not owned by Acquireco and its affiliates on the record date established by Acquireco or by applicable law for such Acquireco Meeting or Acquireco Consent, and for which the Trustee has received voting instructions from the Beneficiary. Pursuant to the terms of the Acquireco Special Voting Shares, the Trustee or its proxy is entitled on a vote on a show of hands to one vote, in addition to any votes which may be cast by a Beneficiary (or its nominee) on a show of hands, as proxy for the Trustee. Any Beneficiary who chooses to attend an Acquireco Meeting in person, and who is entitled to vote in accordance with Section 4.8(2), shall be entitled to one vote on a show of hands.

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4.3 **Mailings to Shareholders**

(1) With respect to each Acquireco Meeting, the Trustee shall use its reasonable efforts promptly to mail or cause to be mailed (or otherwise communicate in the same manner as Acquireco utilizes in communications to holders of Acquireco Shares subject to applicable regulatory requirements and provided that such manner of communications is reasonably available to the Trustee) to each of the Beneficiaries named in the List, such mailing or communication to commence wherever practicable on the same day as the mailing or notice (or other communication) with respect thereto is commenced by Acquireco to its shareholders:

(a) a copy of such notice, together with any related materials, including any circular or information statement or listing particulars, to be provided to shareholders of Acquireco;

(b) a statement that such Beneficiary is entitled to instruct the Trustee as to the exercise of the Beneficiary Votes with respect to such Acquireco Meeting or, pursuant to Section 4.7, to attend such Acquireco Meeting and to exercise personally the Beneficiary Votes thereat;

(c) a statement as to the manner in which such instructions may be given to the Trustee, including an express indication that instructions may be given to the Trustee to give:

(i) a proxy to such Beneficiary or his, her or its designee to exercise personally the Beneficiary Votes; or

(ii) a proxy to a designated agent or other representative of Acquireco to exercise such Beneficiary Votes;

(d) a statement that if no such instructions are received from the Beneficiary, the Beneficiary Votes to which such Beneficiary is entitled will not be exercised;

(e) a form of direction whereby the Beneficiary may so direct and instruct the Trustee as contemplated herein; and

(f) a statement of the time and date by which such instructions must be received by the Trustee in order to be binding upon it, which in the case of an Acquireco Meeting shall not be earlier than the close of business on the fourth business day prior to such meeting, and of the method for revoking or amending such instructions.

(2) The materials referred to in this Section 4.3 shall be provided to the Trustee by Acquireco, and the materials referred to in Section 4.3(1)(c), Section 4.3(1)(e) and Section 4.3(1)(f) shall (if reasonably practicable to do so) be subject to reasonable comment by the Trustee in a timely manner. Subject to the foregoing, Acquireco shall ensure that the materials to be provided to the Trustee are provided in sufficient time to permit the Trustee to comment as aforesaid and to send all materials to each Beneficiary

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at the same time as such materials are first sent to holders of Acquireco Shares. Acquireco agrees not to communicate with holders of Acquireco Shares with respect to the materials referred to in this Section 4.3 otherwise than by mail unless such method of communication is also reasonably available to the Trustee for communication with the Beneficiaries. Notwithstanding the foregoing, Acquireco may at its option exercise the duties of the Trustee to deliver copies of all materials to all Beneficiaries as required by this Section 4.3 so long as in each case Acquireco delivers a certificate to the Trustee stating that Acquireco has undertaken to perform the obligations set forth in this Section 4.3.

(3) For the purpose of determining Beneficiary Votes to which a Beneficiary is entitled in respect of any Acquireco Meeting, the number of Exchangeable Shares owned of record by the Beneficiary shall be determined at the close of business on the record date established by Acquireco or by applicable law for purposes of determining shareholders entitled to vote at such Acquireco Meeting. Acquireco shall notify the Trustee of any decision of the board of directors of Acquireco with respect to the calling of any Acquireco Meeting and shall provide all necessary information and materials to the Trustee in each case promptly and in any event in sufficient time to enable the Trustee to perform its obligations contemplated by this Section 4.3.

4.4 **Copies of Shareholder Information**

Acquireco shall deliver to the Trustee copies of all proxy materials (including notices of Acquireco Meetings but excluding proxies to vote Acquireco Shares), information statements, reports (including all interim and annual financial statements) and other written communications that, in each case, are to be distributed by Acquireco from time to time to holders of Acquireco Shares in sufficient quantities and in sufficient time so as to enable the Trustee to send or cause to send those materials to each Beneficiary at the same time as such materials are first sent to holders of Acquireco Shares. The Trustee shall mail or otherwise send to each Beneficiary, at the expense of Acquireco, copies of all such materials (and all materials specifically directed to the Beneficiaries or to the Trustee for the benefit of the Beneficiaries by Acquireco) received by the Trustee from Acquireco contemporaneously with the sending of such materials to holders of Acquireco Shares. The Trustee shall also make available for inspection by any Beneficiary at the Trustee's principal office in Toronto, Ontario all proxy materials, information statements, reports and other written communications that are:

(a) Received by the Trustee as the registered holder of the Acquireco Special Voting Shares and made available by Acquireco generally to the holders of Acquireco Shares; or

(b) Specifically directed to the Beneficiaries or to the Trustee for the benefit of the Beneficiaries by Acquireco.

Notwithstanding the foregoing, Acquireco at its option may exercise the duties of the Trustee to deliver copies of all such materials to each Beneficiary as required by this Section 4.4 so long as in each case Acquireco delivers a certificate to the Trustee stating that Acquireco has undertaken to perform the obligations set forth in this Section 4.4.

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4.5 **Other Materials**

As soon as reasonably practicable after receipt by Acquireco or shareholders of Acquireco (if such receipt is known by Acquireco) of any material sent or given by or on behalf of a third party to holders of Acquireco Shares generally, including dissident proxy and information circulars (and related information and material) and take-over bid and securities exchange take-over bid circulars (and related information and material), provided such material has not been sent to the Beneficiaries by or on behalf of such third party, Acquireco shall use its reasonable efforts to obtain and deliver to the Trustee copies thereof in sufficient quantities so as to enable the Trustee to forward such material (unless the same has been provided directly to Beneficiaries by such third party) to each Beneficiary as soon as possible thereafter. As soon as reasonably practicable after receipt thereof, the Trustee shall mail or otherwise send to each Beneficiary, at the expense of Acquireco, copies of all such materials received by the Trustee from Acquireco. The Trustee shall also make available for inspection by any Beneficiary at the Trustee's principal office in Toronto copies of all such materials. Notwithstanding the foregoing, Acquireco at its option may exercise the duties of the Trustee to deliver copies of all such materials to each Beneficiary as required by this Section 4.5 so long as in each case Acquireco delivers a certificate to the Trustee stating that Acquireco has undertaken to perform the obligations set forth in this Section 4.5.

4.6 **List of Persons Entitled to Vote**

Canco shall, (a) prior to each annual, general and extraordinary Acquireco Meeting and (b) forthwith upon each request made at any time by the Trustee in writing, prepare or cause to be prepared a list (a "**List**") of the names and addresses of the Beneficiaries arranged in alphabetical order and showing the number of Exchangeable Shares held of record by each such Beneficiary, in each case at the close of business on the date specified by the Trustee in such request or, in the case of a List prepared in connection with an Acquireco Meeting or Acquireco Consent, at the close of business on the record date established by Acquireco or pursuant to applicable law for determining the holders of Acquireco Shares entitled to receive notice of and/or to vote at such Acquireco Meeting or provide an Acquireco Consent. Each such List shall be delivered to the Trustee promptly after receipt by Canco of such request or the record date for such meeting or consent and in any event within sufficient time as to permit the Trustee to perform its obligations under this agreement. Acquireco agrees to give Canco notice (with a copy to the Trustee) of the calling of any Acquireco Meeting or solicitation of any Acquireco Consent, together with the record date therefor, sufficiently prior to the date of the calling of such meeting or solicitation of any Acquireco Consent so as to enable Canco to perform its obligations under this Section 4.6.

4.7 **Entitlement to Direct Votes**

Subject to Section 4.8 and Section 4.11, any Beneficiary named in a List prepared in connection with any Acquireco Meeting shall be entitled (a) to instruct the Trustee in the manner described in Section 4.3 with respect to the exercise of the Beneficiary Votes to which such Beneficiary is entitled or (b) to attend such meeting and personally exercise thereat, as the proxy of the Trustee, the Beneficiary Votes to which such Beneficiary is entitled.

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4.8 **Voting by Trustee and Attendance of Trustee Representative at Meeting**

(1) In connection with each Acquireco Meeting, the Trustee shall exercise, either in person or by proxy, in accordance with the instructions received from a Beneficiary pursuant to Section 4.3, the Beneficiary Votes as to which such Beneficiary is entitled to direct the vote (or any lesser number thereof as may be set forth in the instructions) other than any Beneficiary Votes that are the subject of Section 4.8(2); provided, however, that such written instructions are received by the Trustee from the Beneficiary prior to the time and date fixed by the Trustee for receipt of such instruction in the notice given by the Trustee to the Beneficiary pursuant to Section 4.3.

(2) The Trustee shall cause a representative who is empowered by it to sign and deliver, on behalf of the Trustee, proxies for Voting Rights to attend each Acquireco Meeting. Upon submission by a Beneficiary (or its designee) named in the List prepared in connection with the relevant meeting of identification satisfactory to the Trustee's representative, and at the Beneficiary's request, such representative shall sign and deliver to such Beneficiary (or its designee) a proxy to exercise personally the Beneficiary Votes as to which such Beneficiary is otherwise entitled hereunder to direct the vote, if such Beneficiary either (i) has not previously given the Trustee instructions pursuant to Section 4.3 in respect of such meeting or (ii) submits to such representative written revocation of any such previous instructions. At such meeting, the Beneficiary (or its designee) exercising such Beneficiary Votes in accordance with such proxy shall have the same rights in respect of such Beneficiary Votes as the Trustee to speak at the meeting in favour of any matter, question, proposal or proposition, to vote by way of ballot at the meeting in respect of any matter, question, proposal or proposition, and to vote at such meeting by way of a show of hands in respect of any matter, question or proposition.

4.9 **Distribution of Written Materials**

Any written materials distributed by the Trustee pursuant to this agreement shall be sent by mail (or otherwise communicated in the same manner as Acquireco utilizes in communications to holders of Acquireco Shares subject to applicable regulatory requirements and provided such manner of communications is reasonably available to the Trustee) to each Beneficiary at its address as shown on the books of Canco. Acquireco agrees not to communicate with holders of Acquireco Shares with respect to such written materials otherwise than by mail unless such method of communication is also reasonably available to the Trustee for communication with the Beneficiaries. Canco shall provide or cause to be provided to the Trustee for purposes of communication, on a timely basis and without charge or other expense:

(a) a current List; and

(b) upon the request of the Trustee, mailing labels to enable the Trustee to carry out its duties under this agreement.

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Canco's obligations under this Section 4.9 shall be deemed satisfied to the extent Acquireco exercises its option to perform the duties of the Trustee to deliver copies of materials to each Beneficiary and Canco provides the required information and materials to Acquireco.

4.10 **Termination of Voting Rights**

All of the rights of a Beneficiary with respect to the Beneficiary Votes exercisable in respect of the Exchangeable Shares held by such Beneficiary, including the right to instruct the Trustee as to the voting of or to vote personally such Beneficiary Votes, shall be deemed to be surrendered by the Beneficiary to Acquireco, as the case may be, and such Beneficiary Votes and the Voting Rights (attached to each underlying Acquireco Special Voting Share) represented thereby shall cease immediately upon (i) the delivery by such holder to the Trustee of the certificates representing such Exchangeable Shares in connection with the occurrence of the automatic exchange of Exchangeable Shares for Acquireco Shares, as specified in Article 5 (unless Acquireco shall not have delivered the requisite Acquireco Shares issuable in exchange therefor to the Trustee pending delivery to the Beneficiaries), or (ii) the retraction or redemption of Exchangeable Shares pursuant to Section 6 or 7 of the Share Provisions, or (iii) the effective date of the liquidation, dissolution or winding-up of Canco pursuant to Section 5 of the Share Provisions, or (iv) the purchase of Exchangeable Shares from the holder thereof by Callco pursuant to the exercise by Callco of the Retraction Call Right, the Redemption Call Right or the Liquidation Call Right, or upon the purchase of Exchangeable Shares from the holders thereof by Acquireco or Callco pursuant to the exercise by Acquireco or Callco of the Change of Law Call Right (as defined in the Plan of Arrangement).

4.11 **Disclosure of Interest in Exchangeable Shares**

The Trustee and/or Canco shall be entitled to require any Beneficiary or any person who the Trustee and/or Canco know or have reasonable cause to believe to hold any interest whatsoever in an Exchangeable Share to confirm that fact or to give such details as to whom has an interest in such Exchangeable Share as would be required (if the Exchangeable Shares were a class of "voting or equity securities" of Canco) under section 102.1 of the *Securities Act* (Ontario), as amended from time to time, or as would be required under the constitution of Acquireco or any laws or regulations (including the *Corporations Act 2001* (Cth), or pursuant to the rules or regulations of any Agency, including the Listing Rules of the Australian Securities Exchange, if the Exchangeable Shares were Acquireco Shares. If a Beneficiary does not provide the information required to be provided by such Beneficiary pursuant to this Section 4.11, the board of directors of Acquireco may take any action permitted under the constitution of Acquireco or any laws or regulations, or pursuant to the rules or regulations of any Agency, with respect to the Voting Rights relating to the Exchangeable Shares held by such Beneficiary.

ARTICLE 5
EXCHANGE AND AUTOMATIC EXCHANGE

5.1 **Grant of Exchange Right and Automatic Exchange Right**

(1) Acquireco hereby grants to Trustee as trustee for and on behalf of, and for the use and benefit of, the Beneficiaries the Automatic Exchange Right and the right (the "**Exchange**

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Right"), upon the occurrence and during the continuance of an Insolvency Event, to require Acquireco to purchase from each or any Beneficiary all or any part of the Exchangeable Shares held by such Beneficiary, all in accordance with the provisions of this agreement. Acquireco hereby acknowledges receipt from the Trustee as trustee for and on behalf of the Beneficiaries of good and valuable consideration (and the adequacy thereof) for the grant of the Exchange Right and the Automatic Exchange Right by Acquireco to the Trustee.

(2) During the term of the Trust and subject to the terms and conditions of this agreement, the Trustee shall possess and be vested with full legal ownership of the Automatic Exchange Right and the Exchange Right and shall be entitled to exercise all of the rights and powers of an owner with respect to the Automatic Exchange Right and the Exchange Right, provided that the Trustee shall:

(a) hold the Automatic Exchange Right and the Exchange Right and the legal title thereto as trustee solely for the use and benefit of the Beneficiaries in accordance with the provisions of this agreement; and

(b) except as specifically authorized by this agreement, have no power or authority to exercise or otherwise deal in or with the Automatic Exchange Right or the Exchange Right, and the Trustee shall not exercise any such rights for any purpose other than the purposes for which the Trust is created pursuant to this agreement.

(3) The obligations of Acquireco to issue Acquireco Shares pursuant to the Automatic Exchange Right or the Exchange Right are subject to all applicable laws and regulatory or stock exchange requirements.

5.2 **Legended Share Certificates**

Canco shall cause each certificate representing Exchangeable Shares to bear an appropriate legend notifying the Beneficiaries of:

(a) their right to instruct the Trustee with respect to the exercise of the Exchange Right in respect of the Exchangeable Shares held by a Beneficiary; and

(b) the Automatic Exchange Right.

5.3 **General Exercise of Exchange Right**

The Exchange Right shall be and remain vested in and exercisable by Trustee. Subject to Section 6.15, the Trustee shall exercise the Exchange Right only on the basis of instructions received pursuant to this Article 5 from Beneficiaries entitled to instruct the Trustee as to the exercise thereof. To the extent that no instructions are received from a Beneficiary with respect to the Exchange Right, the Trustee shall not exercise or permit the exercise of the Exchange Right.

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5.4 **Purchase Price**

The purchase price payable by Acquireco for each Exchangeable Share to be purchased by Acquireco under the Exchange Right shall be an amount per share equal to (i) the Current Market Price of an Acquireco Share on the day before the exchange, which shall be satisfied in full by Acquireco issuing to the Beneficiary one Acquireco Share, plus (ii) an additional amount equal to the full amount of all declared and unpaid dividends on each such Exchangeable Share held by such holder on any dividend record date which occurred prior to the date of the exchange. In connection with each exercise of the Exchange Right, Acquireco shall provide to the Trustee an Officer's Certificate setting forth the calculation of the purchase price for each Exchangeable Share.

5.5 **Exercise Instructions**

Subject to the terms and conditions set forth herein, a Beneficiary shall be entitled upon the occurrence and during the continuance of an Insolvency Event, to instruct the Trustee to exercise the Exchange Right with respect to all or any part of the Exchangeable Shares registered in the name of such Beneficiary on the books of Canco. To cause the exercise of the Exchange Right by the Trustee, the Beneficiary shall deliver to the Trustee, in person or by certified or registered mail, at its principal office in Toronto, Ontario or at such other place as the Trustee may from time to designate by written notice to the Beneficiaries, the certificates representing the Exchangeable Shares which such Beneficiary desires Acquireco to purchase, duly endorsed in blank for transfer, and accompanied by such other documents and instruments as the Trustee, Acquireco and Canco may reasonably require together with (a) a duly completed form of notice of exercise of the Exchange Right, contained on the reverse of or attached to the Exchangeable Share certificates, stating (i) that the Beneficiary thereby instructs the Trustee to exercise the Exchange Right so as to require Acquireco to purchase from the Beneficiary the number of Exchangeable Shares specified therein, (ii) that such Beneficiary has good title to and owns all such Exchangeable Shares to be acquired by Acquireco free and clear of all liens, claims, security interests and encumbrances, (iii) the names in which the certificates representing Acquireco Shares issuable in connection with the exercise of the Exchange Right are to be issued, and (iv) the names and addresses of the persons to whom such new certificates should be delivered, and (b) payment (or evidence satisfactory to the Trustee, Acquireco and Canco of payment) of the taxes (if any) payable as contemplated by Section 5.7 of this agreement. If only a part of the Exchangeable Shares represented by any certificate or certificates delivered to the Trustee are to be purchased by Acquireco under the Exchange Right, a new certificate for the balance of such Exchangeable Shares shall be issued to the holder at the expense of Canco.

5.6 **Delivery of Acquireco Shares; Effect of Exercise**

Promptly after the receipt by the Trustee of the certificates representing the Exchangeable Shares which the Beneficiary desires Acquireco to purchase under the Exchange Right, together with such documents and instruments of transfer and a duly completed form of notice of exercise of the Exchange Right (and payment of taxes, if any payable as contemplated by Section 5.7 or evidence thereof), duly endorsed for transfer to Acquireco, the Trustee shall notify Acquireco and Canco of its receipt of the same, which notice to Acquireco and Canco shall constitute exercise of the Exchange Right by the Trustee on behalf of the Beneficiary in respect of such

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Exchangeable Shares, and Acquireco shall promptly thereafter deliver or cause to be delivered to the Trustee, for delivery to the Beneficiary in respect of such Exchangeable Shares (or to such other persons, if any, properly designated by such Beneficiary) the Exchangeable Share Consideration deliverable in connection with the exercise of the Exchange Right; provided, however, that no such delivery shall be made unless and until the Beneficiary requesting the same shall have paid (or provided evidence satisfactory to the Trustee, Canco and Acquireco of the payment of) the taxes (if any) payable as contemplated by Section 5.7 of this agreement. Immediately upon the giving of notice by the Trustee to Acquireco and Canco of the exercise of the Exchange Right, as provided in this Section 5.6, the closing of the transaction of purchase and sale contemplated by the Exchange Right shall be deemed to have occurred, and the Beneficiary of such Exchangeable Shares shall be deemed to have transferred to Acquireco all of such Beneficiary's right, title and interest in and to such Exchangeable Shares and in the related interest in the Trust Estate and shall cease to be a holder of such Exchangeable Shares and shall not be entitled to exercise any of the rights of a holder in respect thereof, other than the right to receive his proportionate part of the total Exchangeable Share Consideration therefor, unless such Exchangeable Share Consideration is not delivered by Acquireco to the Trustee for delivery to such Beneficiary (or to such other person, if any, properly designated by such Beneficiary) within three business days of the date of the giving of such notice by the Trustee, in which case the rights of the Beneficiary shall remain unaffected until such Exchangeable Share Consideration is delivered by Acquireco and any cheque included therein is paid. Upon delivery of such Exchangeable Share Consideration to the Trustee, the Trustee shall promptly deliver such Exchangeable Share Consideration to such Beneficiary (or to such other person, if any, properly designated by such Beneficiary). Concurrently with such Beneficiary ceasing to be a holder of Exchangeable Shares, the Beneficiary shall be considered and deemed for all purposes to be the holder of the Acquireco Shares delivered to it pursuant to the Exchange Right.

5.7 **Stamp or Other Transfer Taxes**

Upon any sale of Exchangeable Shares to Acquireco pursuant to the Exchange Right or the Automatic Exchange Right, the share certificate or certificates representing Acquireco Shares to be delivered in connection with the payment of the purchase price therefor shall be issued in the name of the Beneficiary in respect of the Exchangeable Shares so sold or in such names as such Beneficiary may otherwise direct in writing without charge to the holder of the Exchangeable Shares so sold; provided, however, that such Beneficiary (a) shall pay (and none of Acquireco, Canco or the Trustee shall be required to pay) any documentary, stamp, transfer of other taxes that may be payable in respect of any transfer involved in the issuance or delivery of such shares to a person other than such Beneficiary or (b) shall have evidenced to the satisfaction of Acquireco that such taxes, if any, have been paid.

5.8 **Notice of Insolvency Event**

As soon as practicable following the occurrence of an Insolvency Event or any event that with the giving of notice or the passage of time or both would be an Insolvency Event, Canco and Acquireco shall give written notice thereof to the Trustee. As soon as practicable following the receipt of notice from Canco and Acquireco of the occurrence of an Insolvency Event, or upon the Trustee becoming aware of an Insolvency Event, the Trustee shall mail to each Beneficiary, at the expense of Acquireco (such funds to be received in advance), a notice of such Insolvency

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Event in the form provided by Acquireco, which notice shall contain a brief statement of the rights of the Beneficiaries with respect to the Exchange Right.

5.9 **Failure to Retract**

Upon the occurrence of an event referred to in paragraph (iv) of the definition of Insolvency Event, Canco hereby agrees with the Trustee and in favour of the Beneficiary promptly to forward or cause to be forwarded to the Trustee all relevant materials delivered by the Beneficiary to Canco or to the transfer agent of the Exchangeable Shares (including a copy of the retraction request delivered pursuant to Section 6(1) of the Share Provisions) in connection with such proposed redemption of the Retracted Shares.

5.10 **Listing of Acquireco Shares**

Acquireco covenants that if any Acquireco Shares to be issued and delivered pursuant to the Automatic Exchange Right or the Exchange Right require registration or qualification with or approval of or the filing of any document, including any prospectus or similar document, or the taking of any proceeding with or the obtaining of any order, ruling or consent from any Agency under any Australian or Canadian federal, provincial or territorial law or regulation or pursuant to the rules and regulations of any Agency or the fulfillment of any other Australian or Canadian legal requirement before such shares may be issued and delivered by Acquireco to the initial holder thereof or in order that such shares may be freely traded (other than any restrictions of general application on transfer by reason of a holder being a "control person" or the equivalent of Acquireco for purposes of Canadian securities Law or any Australian equivalent), Acquireco shall use its commercially reasonable efforts (which, for greater certainty, shall not require Acquireco to consent to a term or condition of an approval or consent which Acquireco reasonably determines could have a materially adverse effect on Acquireco or its subsidiaries) to cause such Acquireco Shares (or such other shares or securities) to be and remain duly registered, qualified or approved. Acquireco shall use its commercially reasonable efforts (which, for greater certainty, shall not require Acquireco to consent to a term or condition of an approval or consent which Acquireco reasonably determines could have a materially adverse effect on Acquireco or its subsidiaries) to cause all Acquireco Shares (or such other shares or securities) to be delivered pursuant to the Automatic Exchange Right or the Exchange Right to be listed, quoted or posted for trading on all stock exchanges and quotation systems on which outstanding Acquireco Shares have been listed by Acquireco and remain listed and are quoted or posted for trading at such time.

5.11 **Acquireco Shares**

Acquireco hereby represents, warrants and covenants that the Acquireco Shares issuable as described herein will be duly authorized and validly issued as fully paid and shall be free and clear of any lien, claim or encumbrance.

5.12 **Automatic Exchange on Liquidation of Acquireco**

(1) Acquireco shall give the Trustee written notice of each of the following events at the time set forth below:

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(a) in the event of any determination by the board of directors of Acquireco to institute voluntary liquidation, dissolution or winding-up proceedings with respect to Acquireco or to effect any other distribution of assets of Acquireco among its shareholders for the purpose of winding up its affairs, at least 60 days prior to the proposed effective date of such liquidation, dissolution, winding-up or other distribution; and

(b) as soon as practicable following the earlier of (A) receipt by Acquireco of notice of, and (B) Acquireco otherwise becoming aware of any instituted claim, suit, petition or other proceedings with respect to the involuntary liquidation, dissolution or winding-up of Acquireco or to effect any other distribution of assets of Acquireco among its shareholders for the purpose of winding up its affairs, in each case where Acquireco has failed to contest in good faith any such proceeding commenced in respect of Acquireco within 30 days of becoming aware thereof.

(2) As soon as practicable following receipt by the Trustee from Acquireco of notice of any event (a "**Liquidation Event**") contemplated by Section 5.12(1)(a) or Section 5.12(1)(b), the Trustee shall give notice thereof to the Beneficiaries. Such notice shall be provided to the Trustee by Acquireco and shall include a brief description of the automatic exchange of Exchangeable Shares for Acquireco Shares provided for in Section 5.12(3).

(3) In order that the Beneficiaries will be able to participate on a pro rata basis with the holders of Acquireco Shares in the distribution of assets of Acquireco in connection with a Liquidation Event, immediately prior to the effective date (the "**Liquidation Event Effective Date**") of a Liquidation Event, all of the then outstanding Exchangeable Shares shall be automatically exchanged for Acquireco Shares. To effect such automatic exchange, Acquireco shall purchase each Exchangeable Share outstanding immediately prior to the Liquidation Event Effective Date and held by Beneficiaries, and each Beneficiary shall sell the Exchangeable Shares held by it at such time, free and clear of any lien, claim or encumbrance, for a purchase price per share equal to (i) the Current Market Price of an Acquireco Share on the day prior to the Liquidation Event Effective Date, which shall be satisfied in full by Acquireco issuing to the Beneficiary one Acquireco Share, plus (ii) an additional amount equal to the full amount of all declared and unpaid dividends on each such Exchangeable Share held by such holder on any dividend record date which occurred prior to the date of the exchange. Acquireco shall provide the Trustee with an Officer's Certificate in connection with each automatic exchange setting forth the calculation of the purchase price for each Exchangeable Share. Upon payment by Acquireco of such purchase price, the relevant Beneficiary shall cease to have any right to be paid by Canco any amount in respect of declared and unpaid dividends on each Exchangeable Share.

(4) The closing of the transaction of purchase and sale contemplated by the automatic exchange of Exchangeable Shares for Acquireco Shares shall be deemed to have occurred immediately prior to the Liquidation Event Effective Date, and each Beneficiary shall be deemed to have transferred to Acquireco all of the Beneficiary's right, title and interest in and to such Beneficiary's Exchangeable Shares free and clear of any lien, claim or encumbrance and the related interest in the Trust Estate and each such

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Beneficiary shall cease to be a holder of such Exchangeable Shares and Acquireco shall issue to the Beneficiary the Acquireco Shares issuable upon the automatic exchange of Exchangeable Shares for Acquireco Shares and on the applicable payment date shall deliver to the Trustee for delivery to the Beneficiary a cheque for the balance, if any, of the purchase price for such Exchangeable Shares, without interest, in each case less any amounts withheld pursuant to Section 5.13. Concurrently with such Beneficiary ceasing to be a holder of Exchangeable Shares, the Beneficiary shall become the holder of the Acquireco Shares issued pursuant to the automatic exchange of such Beneficiary's Exchangeable Shares for Acquireco Shares and the certificates held by the Beneficiary previously representing the Exchangeable Shares exchanged by the Beneficiary with Acquireco pursuant to such automatic exchange shall thereafter be deemed to represent Acquireco Shares issued to the Beneficiary by Acquireco pursuant to such automatic exchange. Upon the request of a Beneficiary and the surrender by the Beneficiary of Exchangeable Share certificates deemed to represent Acquireco Shares, duly endorsed in blank and accompanied by such instruments of transfer as Acquireco may reasonably require, Acquireco shall deliver or cause to be delivered to the Beneficiary certificates representing the Acquireco Shares of which the Beneficiary is the holder.

5.13 **Withholding Rights**

Acquireco, Canco and the Trustee shall be entitled to deduct and withhold from any dividend, distribution, price or other consideration otherwise payable under this agreement to any holder of Exchangeable Shares or Acquireco Shares such amounts as Acquireco, Canco or the Trustee is required to deduct and withhold with respect to such payment under the *Income Tax Act* (Canada) or Australian tax Laws or any provision of provincial, state, local or foreign tax Law, in each case as amended or succeeded. The Trustee may act and rely on the advice of counsel with respect to such matters. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes as having been paid to the holder of the shares in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing Agency. To the extent that the amount so required to be deducted or withheld from any payment to a holder exceeds the cash portion of the consideration otherwise payable to the holder, Acquireco, Canco and the Trustee are hereby authorized to sell or otherwise dispose of such portion of the consideration as is necessary to provide sufficient funds to Acquireco, Canco or the Trustee, as the case may be, to enable it to comply with such deduction or withholding requirement and Acquireco, Canco or the Trustee shall notify the holder thereof and remit to such holder any unapplied balance of the net proceeds of such sale.

ARTICLE 6
CONCERNING THE TRUSTEE

6.1 **Powers and Duties of the Trustee**

(1) The rights, powers, duties and authorities of the Trustee under this agreement, in its capacity as Trustee of the Trust, shall include:

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(a) receipt and deposit of the Acquireco Special Voting Shares from Acquireco as Trustee for and on behalf of the Beneficiaries in accordance with the provisions of this agreement;

(b) granting proxies and distributing materials to Beneficiaries as provided in this agreement;

(c) voting the Beneficiary Votes in accordance with the provisions of this agreement;

(d) receiving the grant of the Automatic Exchange Right and the Exchange Right from Acquireco as Trustee for and on behalf of the Beneficiaries in accordance with the provisions of this agreement;

(e) enforcing the benefit of the Automatic Exchange Right and the Exchange Right, in each case in accordance with the provisions of this agreement, and in connection therewith receiving from Beneficiaries Exchangeable Shares and other requisite documents and distributing to such Beneficiaries Acquireco Shares and cheques, if any, to which such Beneficiaries are entitled pursuant to the Automatic Exchange Right or the Exchange Right, as the case may be;

(f) holding title to the Trust Estate;

(g) investing any moneys forming, from time to time, a part of the Trust Estate as provided in this agreement;

(h) taking action at the direction of a Beneficiary or Beneficiaries to enforce the obligations of Acquireco and Canco under this agreement; and

(i) taking such other actions and doing such other things as are specifically provided in this agreement to be carried out by the Trustee whether alone, jointly or in the alternative.

(2) In the exercise of such rights, powers, duties and authorities the Trustee shall have (and is granted) such incidental and additional rights, powers, duties and authority not in conflict with any of the provisions of this agreement as the Trustee, acting in good faith and in the reasonable exercise of its discretion, may deem necessary, appropriate or desirable to effect the purpose of the Trust. Any exercise of such discretionary rights, powers, duties and authorities by the Trustee shall be final, conclusive and binding upon all persons.

(3) The Trustee in exercising its rights, powers, duties and authorities hereunder shall act honestly and in good faith and with a view to the best interests of the Beneficiaries and shall exercise the care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances.

(4) The Trustee shall not be bound to give notice or do or take any act, action or proceeding by virtue of the powers conferred on it hereby unless and until it shall be specifically required to do so under the terms hereof; nor shall the Trustee be required to take any

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notice of, or to do, or to take any act, action or proceeding as a result of any default or breach of any provision hereunder, unless and until notified in writing of such default or breach, which notices shall distinctly specify the default or breach desired to be brought to the attention of the Trustee, and in the absence of such notice the Trustee may for all purposes of this agreement conclusively assume that no default or breach has been made in the observance or performance of any of the representations, warranties, covenants, agreements or conditions contained herein.

6.2 **No Conflict of Interest**

The Trustee represents to Acquireco and Canco that at the date of execution and delivery of this agreement there exists no material conflict of interest in the role of the Trustee as a fiduciary hereunder and the role of the Trustee in any other capacity. The Trustee shall, within 90 days after it becomes aware that such material conflict of interest exists, either eliminate such material conflict of interest or resign in the manner and with the effect specified in Article 9. If, notwithstanding the foregoing provisions of this Section 6.2, the Trustee has such a material conflict of interest, the validity and enforceability of this agreement shall not be affected in any manner whatsoever by reason only of the existence of such material conflict of interest. If the Trustee contravenes the foregoing provisions of this Section 6.2, any interested party may apply to the Superior Court of Justice (Ontario) for an order that the Trustee be replaced as Trustee hereunder.

6.3 **Dealings with Transfer Agents, Registrars, etc.**

(1) Each of Acquireco and Canco irrevocably authorizes the Trustee, from time to time, to:

(a) consult, communicate and otherwise deal with the respective registrars and transfer agents, and with any such subsequent registrar or transfer agent, of the Exchangeable Shares and Acquireco Shares; and

(b) requisition, from time to time, (i) from any such registrar or transfer agent any information readily available from the records maintained by it which the Trustee may reasonably require for the discharge of its duties and responsibilities under this agreement and (ii) from the transfer agent of Acquireco Shares, and any subsequent transfer agent of such shares, the share certificates issuable upon the exercise from time to time of the Automatic Exchange Right and pursuant to the Exchange Right.

(2) Acquireco and Canco shall irrevocably authorize their respective registrars and transfer agents to comply with all such requests. Acquireco covenants that it shall supply its transfer agent with duly executed share certificates for the purpose of completing the exercise from time to time of the Automatic Exchange Right and the Exchange Right, in each case pursuant to Article 5.

6.4 **Books and Records**

The Trustee shall keep available for inspection by Acquireco and Canco at the Trustee's principal office in Toronto correct and complete books and records of account relating to the

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Trust created by this agreement, including all relevant data relating to mailings and instructions to and from Beneficiaries and all transactions pursuant to the Automatic Exchange Right and the Exchange Right. On or before January 15, 2013, and on or before January 15 in every year thereafter, so long as the Acquireco Special Voting Shares are registered in the name of the Trustee, the Trustee shall transmit to Acquireco and Canco a brief report, dated as of the preceding December 31, with respect to:

(a) the property and funds comprising the Trust Estate as of that date;

(b) the number of exercises of the Automatic Exchange Right, if any, and the aggregate number of Exchangeable Shares received by the Trustee on behalf of Beneficiaries in consideration of the issuance by Acquireco of Acquireco Shares in connection with the Automatic Exchange Right, during the calendar year ended on such December 31; and

(c) any action taken by the Trustee in the performance of its duties under this agreement which it had not previously reported.

6.5 **Income Tax Returns and Reports**

The Trustee shall, to the extent necessary, prepare and file, or cause to be prepared and filed, on behalf of the Trust appropriate Canadian income tax returns and any other returns or reports as may be required by applicable law or pursuant to the rules and regulations of any other Agency, including any securities exchange or other trading system through which the Exchangeable Shares are traded. In connection therewith, the Trustee may obtain the advice and assistance of such experts or advisors as the Trustee considers necessary or advisable (who may be experts or advisors to Acquireco or Canco). If requested by the Trustee, Acquireco or Canco shall retain qualified experts or advisors for the purpose of providing such tax advice or assistance.

6.6 **Indemnification Prior to Certain Actions by Trustee**

(1) The Trustee shall exercise any or all of the rights, duties, powers or authorities vested in it by this agreement at the request, order or direction of any Beneficiary upon such Beneficiary furnishing to the Trustee reasonable funding, security or indemnity against the costs, expenses and liabilities which may be incurred by the Trustee therein or thereby, provided that no Beneficiary shall be obligated to furnish to the Trustee any such funding, security or indemnity in connection with the exercise by the Trustee of any of its rights, duties, powers and authorities with respect to the Acquireco Special Voting Shares pursuant to Article 4, subject to Section 6.15, and with respect to the Automatic Exchange Right and the Exchange Right pursuant to Article 5.

(2) None of the provisions contained in this agreement shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the exercise of any of its rights, powers, duties, or authorities unless funded, given security and indemnified as aforesaid.

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6.7 **Action of Beneficiaries**

No Beneficiary shall have the right to institute any action, suit or proceeding or to exercise any other remedy authorized by this agreement for the purpose of enforcing any of its rights or for the execution of any trust or power hereunder unless the Beneficiary has requested the Trustee to take or institute such action, suit or proceeding and furnished the Trustee with any applicable funding, security or indemnity referred to in Section 6.6 and the Trustee shall have failed to act within a reasonable time thereafter. In such case, but not otherwise, the Beneficiary shall be entitled to take proceedings in any court of competent jurisdiction such as the Trustee might have taken; it being understood and intended that no one or more Beneficiaries shall have any right in any manner whatsoever to affect, disturb or prejudice the rights hereby created by any such action or to prejudice the rights of any other Beneficiaries hereunder.

6.8 **Reliance Upon Declarations**

The Trustee shall not be considered to be in contravention of any of its rights, powers, duties and authorities hereunder if, when required, it acts and relies in good faith upon statutory declarations, certificates, opinions or reports furnished pursuant to the provisions hereof or required by the Trustee to be furnished to it in the exercise of its rights, powers, duties and authorities hereunder if such statutory declarations, certificates, opinions or reports comply with the provisions of Section 6.9, if applicable, and with any other applicable provisions of this agreement.

6.9 **Evidence and Authority to Trustee**

(1) Acquireco and/or Canco shall furnish to the Trustee evidence of compliance with the conditions provided for in this agreement relating to any action or step required or permitted to be taken by Acquireco and/or Canco or the Trustee under this agreement or as a result of any obligation imposed under this agreement, including in respect of the Voting Rights or the Automatic Exchange Right or the Exchange Right and the taking of any other action to be taken by the Trustee at the request of or on the application of Acquireco and/or Canco promptly if and when:

(a) such evidence is required by any other section of this agreement to be furnished to the Trustee in accordance with the terms of this Section 6.9; or

(b) the Trustee, in the exercise of its rights, powers, duties and authorities under this agreement, gives Acquireco and/or Canco written notice requiring it to furnish such evidence in relation to any particular action or obligation specified in such notice.

(2) Such evidence shall consist of an Officer's Certificate of Acquireco and/or Canco or a statutory declaration or a certificate made by persons entitled to sign an Officer's Certificate stating that any such condition has been complied with in accordance with the terms of this agreement.

(3) Whenever such evidence relates to a matter other than the Voting Rights or the Automatic Exchange Right or the Exchange Right or the taking of any other action to be

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taken by the Trustee at the request or on the application of Acquireco and/or Canco, and except as otherwise specifically provided herein, such evidence may consist of a report or opinion of any solicitor, attorney, auditor, accountant, appraiser, valuer or other expert or any other person whose qualifications give authority to a statement made by him, provided that if such report or opinion is furnished by a director, officer or employee of Acquireco and/or Canco it shall be in the form of an Officer's Certificate or a statutory declaration.

(4) Each statutory declaration, Officer's Certificate, opinion or report furnished to the Trustee as evidence of compliance with a condition provided for in this agreement shall include a statement by the person giving the evidence:

(a) declaring that he has read and understands the provisions of this agreement relating to the condition in question;

(b) describing the nature and scope of the examination or investigation upon which he based the statutory declaration, certificate, statement or opinion; and

(c) declaring that he has made such examination or investigation as he believes is necessary to enable him to make the statements or give the opinions contained or expressed therein.

6.10 **Experts, Advisers and Agents**

The Trustee may:

(a) in relation to these presents act and rely on the opinion or advice of or information obtained from any solicitor, attorney, auditor, accountant, appraiser, valuer or other expert, whether retained by the Trustee or by Acquireco and/ or Canco or otherwise, and may retain or employ such assistants as may be necessary to the proper discharge of its powers and duties and determination of its rights hereunder and may pay proper and reasonable compensation for all such legal and other advice or assistance as aforesaid;

(b) employ such agents and other assistants as it may reasonably require for the proper determination and discharge of its powers and duties hereunder; and

(c) pay reasonable remuneration for all services performed for it (and shall be entitled to receive reasonable remuneration for all services performed by it) in the discharge of the trusts hereof and compensation for all reasonable disbursements, costs and expenses made or incurred by it in the discharge of its duties hereunder and in the management of the Trust.

6.11 **Investment of Moneys Held by Trustee**

Unless otherwise provided in this agreement, any moneys held by or on behalf of the Trustee which under the terms of this agreement may or ought to be invested or which may be on deposit with the Trustee or which may be in the hands of the Trustee shall, upon the receipt by the

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Trustee of the written direction of Canco, be invested or reinvested in the name or under the control of the Trustee in securities in which, under the laws of the Province of Ontario, trustees are authorized to invest trust moneys, provided that such securities are stated to mature within two years after their purchase by the Trustee, or in Authorized Investments. Any direction of Canco to the Trustee as to investment or reinvestment of funds shall be in writing and shall be provided to the Trustee no later than 9:00 a.m. (local time) or if received on a non-business day, shall be deemed to have been given prior to 9:00 a.m. (local time) on the immediately following business day. If no such direction is received, the Trustee shall not have any obligation to invest the monies and pending receipt of such a direction all interest or other income and such moneys may be deposited in the name of the Trustee in any chartered bank in Canada or, with the consent of Canco, in the deposit department of the Trustee or any other specified loan or trust company authorized to accept deposits under the laws of Canada or any province thereof at the rate of interest then current on similar deposits. The Trustee shall not be held liable for any losses incurred in the investment of any funds as herein provided.

6.12 **Trustee Not Required to Give Security**

The Trustee shall not be required to give any bond or security in respect of the execution of the trusts, rights, duties, powers and authorities of this agreement or otherwise in respect of the premises.

6.13 **Trustee Not Bound to Act on Request**

Except as in this agreement otherwise specifically provided, the Trustee shall not be bound to act in accordance with any direction or request of Acquireco and/or Canco or of the directors thereof until a duly authenticated copy of the instrument or resolution containing such direction or request shall have been delivered to the Trustee, and the Trustee shall be empowered to act upon any such copy purporting to be authenticated and believed by the Trustee to be genuine.

6.14 **Authority to Carry on Business**

The Trustee represents to Acquireco and Canco that at the date of execution and delivery by it of this agreement it is authorized to carry on the business of a trust company in each of the provinces of Canada but if, notwithstanding the provisions of this Section 6.14, it ceases to be so authorized to carry on business, the validity and enforceability of this agreement and the Voting Rights, the Automatic Exchange Right and the Exchange Right shall not be affected in any manner whatsoever by reason only of such event but the Trustee shall, within 90 days after ceasing to be authorized to carry on the business of a trust company in any province of Canada, either become so authorized or resign in the manner and with the effect specified in Article 9.

6.15 **Conflicting Claims**

(1) If conflicting claims or demands are made or asserted with respect to any interest of any Beneficiary in any Exchangeable Shares, including any disagreement between the heirs, representatives, successors or assigns succeeding to all or any part of the interest of any Beneficiary in any Exchangeable Shares, resulting in conflicting claims or demands being made in connection with such interest, then the Trustee shall be entitled, in its sole discretion, to refuse to recognize or to comply with any such claims or demands. In so

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refusing, the Trustee may elect not to exercise any Voting Rights, Automatic Exchange Right or Exchange Right subject to such conflicting claims or demands and, in so doing, the Trustee shall not be or become liable to any person on account of such election or its failure or refusal to comply with any such conflicting claims or demands. The Trustee shall be entitled to continue to refrain from acting and to refuse to act until:

(a) the rights of all adverse claimants with respect to the Voting Rights, Automatic Exchange Right or Exchange Right subject to such conflicting claims or demands have been adjudicated by a final judgement of a court of competent jurisdiction; or

(b) all differences with respect to the Voting Rights, Automatic Exchange Right or Exchange Right subject to such conflicting claims or demands have been conclusively settled by a valid written agreement binding on all such adverse claimants, and the Trustee shall have been furnished with an executed copy of such agreement certified to be in full force and effect.

(2) If the Trustee elects to recognize any claim or comply with any demand made by any such adverse claimant, it may in its discretion require such claimant to furnish such surety bond or other security satisfactory to the Trustee as it shall deem appropriate to fully indemnify it as between all conflicting claims or demands.

6.16 **Acceptance of Trust**

The Trustee hereby accepts the Trust created and provided for, by and in this agreement and agrees to perform the same upon the terms and conditions herein set forth and to hold all rights, privileges and benefits conferred hereby and by law in trust for the various persons who shall from time to time be Beneficiaries, subject to all the terms and conditions herein set forth.

6.17 **Third Party Interests**

Each party to this agreement hereby represents to the Trustee that any account to be opened by, or interest to be held by the Trustee in connection with this agreement, for or to the credit of such party, either (i) is not intended to be used by or on behalf of any third party; or (ii) is intended to be used by or on behalf of a third party, in which case such party hereto agrees to complete and execute forthwith a declaration in the Trustee's prescribed form as to the particulars of such third party.

6.18 **Privacy**

The parties acknowledge that Canadian federal and/or provincial legislation that addresses the protection of individuals' personal information (collectively, "**Privacy Laws**") applies to obligations and activities under this agreement. Despite any other provision of this agreement, no party shall take or direct any action that would contravene, or cause the others to contravene, applicable Privacy Laws. The parties shall, prior to transferring or causing to be transferred personal information to the Trustee, obtain and retain required consents of the relevant individuals to the collection, use and disclosure of their personal information, or shall have

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determined that such consents either have previously been given upon which the parties can rely or are not required under the Privacy Laws. Specifically, the Trustee agrees: (a) to have a designated chief privacy officer; (b) to maintain policies and procedures to protect personal information and to receive and respond to any privacy complaint or inquiry; (c) to use personal information solely for the purposes of providing its services under or ancillary to this agreement and not to use it for any purpose except with the consent of or direction from the other parties or the individual involved; (d) not to sell or otherwise improperly disclose personal information to any third part; and (e) to employ administrative, physical and technological safeguards to reasonably secure and protect personal information against loss, theft, or unauthorized access, use or modification.

ARTICLE 7
COMPENSATION

7.1 Fees and Expenses of the Trustee

Canco agrees to pay the Trustee reasonable compensation for all of the services rendered by it under this agreement and shall reimburse the Trustee for all reasonable expenses (including, but not limited to, taxes other than taxes based on the net income or capital of the Trustee, fees paid to legal counsel and other experts and advisors and travel expenses) and disbursements, including the cost and expense of any suit or litigation of any character and any proceedings before any governmental Agency, reasonably incurred by the Trustee in connection with its duties under this agreement; provided that Canco shall have no obligation to reimburse the Trustee for any expenses or disbursements paid, incurred or suffered by the Trustee in any suit or litigation or any such proceedings in which the Trustee is determined to have acted in bad faith or with fraud, gross negligence or wilful misconduct.

ARTICLE 8
INDEMNIFICATION AND LIMITATION OF LIABILITY

8.1 Indemnification of the Trustee

(1) Acquireco and Canco jointly and severally agree to indemnify and hold harmless the Trustee and each of its directors, officers, employees and agents appointed and acting in accordance with this agreement (collectively, the "**Indemnified Parties**") against all claims, losses, damages, reasonable costs, penalties, fines and reasonable expenses (including reasonable expenses of the Trustee's legal counsel) which, without fraud, gross negligence, wilful misconduct or bad faith on the part of such Indemnified Party, may be paid, incurred or suffered by the Indemnified Party by reason or as a result of the Trustee's acceptance or administration of the Trust, its compliance with its duties set forth in this agreement, or any written or oral instruction delivered to the Trustee by Acquireco or Canco pursuant hereto.

(2) In no case shall Acquireco or Canco be liable under this indemnity for any claim against any of the Indemnified Parties unless Acquireco and Canco shall be notified by the Trustee of the written assertion of a claim or of any action commenced against the Indemnified Parties, promptly after any of the Indemnified Parties shall have received

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any such written assertion of a claim or shall have been served with a summons or other first legal process giving information as to the nature and basis of the claim. Subject to (ii) below, Acquireco and Canco shall be entitled to participate at their own expense in the defence and, if Acquireco and Canco so elect at any time after receipt of such notice, either of them may assume the defence of any suit brought to enforce any such claim. The Trustee shall have the right to employ separate counsel in any such suit and participate in the defence thereof, but the fees and expenses of such counsel shall be at the expense of the Trustee unless: (i) the employment of such counsel has been authorized by Acquireco or Canco; or (ii) the named parties to any such suit include both the Trustee and Acquireco or Canco and the Trustee shall have been advised by counsel acceptable to Acquireco or Canco that there may be one or more legal defences available to the Trustee that are different from or in addition to those available to Acquireco or Canco and that, in the judgement of such counsel, would present a conflict of interest were a joint representation to be undertaken (in which case Acquireco and Canco shall not have the right to assume the defence of such suit on behalf of the Trustee but shall be liable to pay the reasonable fees and expenses of counsel for the Trustee). This indemnity shall survive the termination of the Trust and the resignation or removal of the Trustee.

8.2 **Limitation of Liability**

The Trustee shall not be held liable for any loss which may occur by reason of depreciation of the value of any part of the Trust Estate or any loss incurred on any investment of funds pursuant to this agreement, except to the extent that such loss is attributable to the fraud, gross negligence, wilful misconduct or bad faith on the part of the Trustee.

ARTICLE 9
CHANGE OF TRUSTEE

9.1 **Resignation**

The Trustee, or any trustee hereafter appointed, may at any time resign by giving written notice of such resignation to Acquireco and Canco specifying the date on which it desires to resign, provided that such notice shall not be given less than thirty (30) days before such desired resignation date unless Acquireco and Canco otherwise agree and provided further that such resignation shall not take effect until the date of the appointment of a successor trustee and the acceptance of such appointment by the successor trustee. Upon receiving such notice of resignation, Acquireco and Canco shall promptly appoint a successor trustee, which shall be a corporation organized and existing under the laws of Canada and authorized to carry on the business of a trust company in all provinces of Canada, by written instrument in duplicate, one copy of which shall be delivered to the resigning trustee and one copy to the successor trustee. Failing the appointment and acceptance of a successor trustee, a successor trustee may be appointed by order of a court of competent jurisdiction upon application of one or more of the parties to this agreement. If the retiring trustee is the party initiating an application for the appointment of a successor trustee by order of a court of competent jurisdiction, Acquireco and Canco shall be jointly and severally liable to reimburse the retiring trustee for its legal costs and expenses in connection with same.

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9.2 **Removal**

The Trustee, or any trustee hereafter appointed, may (provided a successor trustee is appointed) be removed at any time on not less than 30 days' prior notice by written instrument executed by Acquireco and Canco, in duplicate, one copy of which shall be delivered to the trustee so removed and one copy to the successor trustee.

9.3 **Successor Trustee**

Any successor trustee appointed as provided under this agreement shall execute, acknowledge and deliver to Acquireco and Canco and to its predecessor trustee an instrument accepting such appointment. Thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor under this agreement, with the like effect as if originally named as trustee in this agreement. However, on the written request of Acquireco and Canco or of the successor trustee, the trustee ceasing to act shall, upon payment of any amounts then due to it pursuant to the provisions of this agreement, execute and deliver an instrument transferring to such successor trustee all the rights and powers of the trustee so ceasing to act. Upon the request of any such successor trustee, Acquireco, Canco and such predecessor trustee shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers.

9.4 **Notice of Successor Trustee**

Upon acceptance of appointment by a successor trustee as provided herein, Acquireco and Canco shall cause to be mailed notice of the succession of such trustee hereunder to each Beneficiary specified in a List. If Acquireco or Canco shall fail to cause such notice to be mailed within 10 days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be mailed at the expense of Acquireco and Canco.

ARTICLE 10
ACQUIRECO SUCCESSORS

10.1 **Certain Requirements in Respect of Combination, etc.**

So long as any Exchangeable Shares not owned by Acquireco or its affiliates are outstanding, Acquireco shall not consummate any transaction (whether by way of reconstruction, reorganization, consolidation, arrangement, amalgamation, merger, transfer, sale, lease or otherwise) whereby all or substantially all of its undertaking, property and assets would become the property of any other person or, in the case of a merger, of the continuing corporation resulting therefrom, provided that it may do so if:

(a) such other person or continuing corporation (the "**Acquireco Successor**"), by operation of law, becomes, without more, bound by the terms and provisions of this agreement or, if not so bound, executes, prior to or contemporaneously with the consummation of such transaction, a trust agreement supplemental hereto and such other instruments (if any) as are necessary or advisable to evidence the assumption by the Acquireco Successor of liability for all moneys payable and

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property deliverable hereunder and the covenant of such Acquireco Successor to pay and deliver or cause to be delivered the same and its agreement to observe and perform all the covenants and obligations of Acquireco under this agreement: and

(b) such transaction shall be upon such terms and conditions as substantially to preserve and not to impair in any material respect any of the rights, duties, powers and authorities of the Trustee or of the Beneficiaries hereunder.

10.2 **Vesting of Powers in Successor**

Whenever the conditions of Section 10.1 have been duly observed and performed, the Trustee, Acquireco Successor and Canco shall, if required by Section 10.1, execute and deliver the supplemental trust agreement provided for in Article 11 and thereupon Acquireco Successor and such other person that may then be the issuer of the Acquireco Shares shall possess and from time to time may exercise each and every right and power of Acquireco under this agreement in the name of Acquireco or otherwise and any act or proceeding by any provision of this agreement required to be done or performed by the board of directors of Acquireco or any officers of Acquireco may be done and performed with like force and effect by the directors or officers of such Acquireco Successor.

10.3 **Wholly-Owned Subsidiaries**

Nothing herein shall be construed as preventing (i) the amalgamation or merger of any wholly-owned direct or indirect subsidiary of Acquireco with or into Acquireco, (ii) the winding-up, liquidation or dissolution of any wholly-owned direct or indirect subsidiary of Acquireco (other than Canco or Callco), provided that all of the assets of such subsidiary are transferred to Acquireco or another wholly-owned direct or indirect subsidiary of Acquireco, or (iii) any other distribution of the assets of any wholly-owned direct or indirect subsidiary of Acquireco (other than Canco or Callco) among the shareholders of such subsidiary for the purpose of winding up its affairs, and any such transactions are expressly permitted by this Article 10.

10.4 **Successor Transactions**

Notwithstanding the foregoing provisions of this Article 10, in the event of an Acquireco Control Transaction:

(a) in which Acquireco merges or amalgamates with, or in which all or substantially all of the then outstanding Acquireco Shares are acquired by, one or more other corporations to which Acquireco is, immediately before such merger, amalgamation or acquisition, "related" within the meaning of the ITA (otherwise than by virtue of a right referred to in paragraph 251(5)(b) thereof);

(b) which does not result in an acceleration of the Redemption Date in accordance with paragraph (b) of that definition; and

(c) in which all or substantially all of the then outstanding Acquireco Shares are converted into or exchanged for shares or rights to receive such shares (the

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"**Other Shares**") of another corporation (the "**Other Corporation**") that, immediately after such Acquireco Control Transaction, owns or controls, directly or indirectly, Acquireco,

then, (i) all references herein to "Acquireco" shall thereafter be and be deemed to be references to "Other Corporation" and all references herein to "Acquireco Shares" shall thereafter be and be deemed to be references to "Other Shares" (with appropriate adjustments, if any, as are required to result in a holder of Exchangeable Shares on the exchange, redemption or retraction of such shares pursuant to the Share Provisions or Article 5 of the Plan of Arrangement or exchange of such shares pursuant to this agreement immediately subsequent to the Acquireco Control Transaction being entitled to receive that number of Other Shares equal to the number of Other Shares such holder of Exchangeable Shares would have received if the exchange, redemption or retraction of such shares pursuant to the Share Provisions or Article 5 of the Plan of Arrangement, or exchange of such shares pursuant to this agreement had occurred immediately prior to the Acquireco Control Transaction and the Acquireco Control Transaction was completed) without any need to amend the terms and conditions of this agreement and without any further action required; and (ii) Acquireco shall cause the Other Corporation to deposit one or more voting securities of such Other Corporation to allow Beneficiaries to exercise voting rights in respect of the Other Corporation substantially similar to those provided for in this agreement.

ARTICLE 11
AMENDMENTS AND SUPPLEMENTAL TRUST AGREEMENTS

11.1 **Amendments, Modifications, etc.**

Subject to Section 11.2, Section 11.4 and Section 13.1, this agreement may not be amended or modified except by an agreement in writing executed by Acquireco, Canco and the Trustee and approved by the Beneficiaries in accordance with Section 11(2) of the Share Provisions.

11.2 Ministerial Amendments

Notwithstanding the provisions of Section 11.1, the parties to this agreement may in writing, at any time and from time to time, without the approval of the Beneficiaries, amend or modify this agreement for the purposes of:

(a) adding to the covenants of any or all parties hereto for the protection of the Beneficiaries hereunder provided that the board of directors of each of Canco and Acquireco shall be of the good faith opinion and the Trustee, acting on the advice of counsel, shall be of the opinion that such additions will not be prejudicial to the rights or interests of the Beneficiaries;

(b) making such amendments or modifications not inconsistent with this agreement as may be necessary or desirable with respect to matters or questions which, in the good faith opinion of the board of directors of each of Acquireco and Canco and in the opinion of the Trustee, having in mind the best interests of the Beneficiaries, it may be expedient to make, provided that such boards of directors

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and the Trustee, acting on the advice of counsel, shall be of the opinion that such amendments and modifications will not be prejudicial to the interests of the Beneficiaries; or

(c) making such changes or corrections which, on the advice of counsel to Acquireco, Canco and the Trustee, are required for the purpose of curing or correcting any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error.

11.3 Meeting to Consider Amendments

Canco, at the request of Acquireco, shall call a meeting or meetings of the Beneficiaries for the purpose of considering any proposed amendment or modification requiring approval pursuant hereto. Any such meeting or meetings shall be called and held in accordance with the by-laws of Canco, the Share Provisions and all applicable laws.

11.4 Changes in Capital of Acquireco and Canco

At all times after the occurrence of any event contemplated pursuant to Section 2.7 or 2.8 of the Support Agreement or otherwise, as a result of which either Acquireco Shares or the Exchangeable Shares or both are in any way changed, this agreement shall forthwith be amended and modified as necessary in order that it shall apply with full force and effect, mutatis mutandis, to all new securities into which Acquireco Shares or the Exchangeable Shares or both are so changed and the parties hereto shall execute and deliver a supplemental trust agreement giving effect to and evidencing such necessary amendments and modifications.

11.5 Execution of Supplemental Trust Agreements

From time to time Canco (when authorized by a resolution of its Board of Directors), Acquireco (when authorized by a resolution of its board of directors) and the Trustee may, subject to the provisions of these presents, and they shall, when so directed by these presents, execute and deliver by their proper officers, trust agreements or other instruments supplemental hereto, which thereafter shall form part hereof, for any one or more of the following purposes:

(a) evidencing the succession of Acquireco Successors and the covenants of and obligations assumed by each such Acquireco Successor in accordance with the provisions of Article 9 and the successors of the Trustee or any successor trustee in accordance with the provisions of Article 9;

(b) making any additions to, deletions from or alterations of the provisions of this agreement or the Voting Rights, the Automatic Exchange Right or the Exchange Right which, in the opinion of the Trustee, will not be prejudicial to the interests of the Beneficiaries or are, in the opinion of counsel to the Trustee, necessary or advisable in order to incorporate, reflect or comply with any legislation the provisions of which apply to Acquireco, Canco, the Trustee or this agreement; and

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(c) for any other purposes not inconsistent with the provisions of this agreement, including to make or evidence any amendment or modification to this agreement as contemplated hereby; provided that, in the opinion of the Trustee, the rights of the Trustee and Beneficiaries will not be prejudiced thereby.

ARTICLE 12
TERMINATION

12.1 Term

The Trust created by this agreement shall continue until the earliest to occur of the following events:

(a) no outstanding Exchangeable Shares are held by a Beneficiary; and

(b) each of Acquireco and Canco elects in writing to terminate the Trust and such termination is approved by the Beneficiaries in accordance with Section 11(2) of the Share Provisions.

12.2 Survival of Agreement

This agreement shall survive any termination of the Trust and shall continue until there are no Exchangeable Shares outstanding held by a Beneficiary; provided, however, that the provisions of Article 7 and Article 8 shall survive any such termination of this agreement.

ARTICLE 13
GENERAL

13.1 Severability

If any term or other provision of this agreement is invalid, illegal or incapable of being enforced by any rule or law, or public policy, all other conditions and provisions of this agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

13.2 Enurement

This agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and assigns and, subject to the terms hereof, to the benefit of the Beneficiaries.

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13.3 Notices to Parties

Any notice and other communications required or permitted to be given pursuant to this agreement shall be sufficiently given if delivered in person or if sent by facsimile transmission (provided such transmission is recorded as being transmitted successfully) to the parties at the following addresses:

(i) in the case of Acquireco or Canco to the following address:

Galaxy Resources Limited

Attn: Mr Iggy Tan
Managing Director
Level 2, 16 Ord Street
West Perth, WA 6005

Tel: +61 8 9215 1700
Fax: +61 8 9215 1799

with a copy to (which shall not constitute notice):

Fasken Martineau DuMoulin LLP
Attn: Mr Peter Villani
Stock Exchange Tower
Suite 3400
800 Place Victoria
Montréal QC H4Z 1E9
Canada

Tel: +1 514 397 4316
Fax: +1 514 397 7600

(ii) in the case of Trustee to:

Computershare Trust Company of Canada
Attn: <*>
<*>
<*>

Tel: <*>
Fax: <*>

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or at such other address as the party to which such notice or other communication is to be given has last notified the party given the same in the manner provided in this section, and if not given the same shall be deemed to have been received on the date of such delivery or sending.

13.4 Notice to Beneficiaries

Any and all notices to be given and any documents to be sent to any Beneficiaries may be given or sent to the address of such Beneficiary shown on the register of holders of Exchangeable Shares in any manner permitted by the by-laws of Canco from time to time in force in respect of notices to shareholders and shall be deemed to be received (if given or sent in such manner) at the time specified in such by-laws, the provisions of which by-laws shall apply mutatis mutandis to notices or documents as aforesaid sent to such Beneficiaries.

13.5 Counterparts

This agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

13.6 Jurisdiction

This agreement shall be construed and enforced in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

13.7 Attornment

Each of the Trustee, Acquireco and Canco agrees that any action or proceeding arising out of or relating to this agreement may be instituted in the courts of Ontario, waives any objection which it may have now or hereafter to the venue of any such action or proceeding, irrevocably submits to the non-exclusive jurisdiction of the said courts in any such action or proceeding, agrees to be bound by any judgement of the said courts and not to seek, and hereby waives, any review of the merits of any such judgement by the courts of any other jurisdiction, and Acquireco hereby appoints Canco at its registered office in the Province of Ontario as attorney for service of process.

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IN WITNESS WHEREOF the parties hereto have caused this agreement to be duly executed as of the date first above written.

GALAXY LITHIUM ONE INC.

By: _____
Name:
Title:

LITHIUM ONE INC.

By: _____
Name:
Title:

GALAXY RESOURCES LIMITED

By: _____
Name:
Title:

By: _____
Name:
Title:

COMPUTERSHARE TRUST COMPANY OF CANADA

By: _____
Name:
Title:

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SCHEDULE K
ACQUIRECO CONVERTIBLE NOTE

GALAXY RESOURCES LIMITED
(incorporated under the laws of Australia)

CONVERTIBLE LOAN NOTE
(dated for reference <*>)

CAD $<*>

1. PROMISE TO PAY

(a) Galaxy Resources Limited (hereinafter the "**Company**"), for value received, promises to pay to <*> (the "**Noteholder**"), at ***[address]*** or such other place as the Noteholder may from time to time direct the Company in writing the principal sum of CAD $<*> (the "**Principal**") on the date hereinafter provided in accordance with the terms and conditions set out herein, on presentation and surrender of this Convertible Loan Note.

(b) Except as otherwise provided herein, the Principal is due and payable on the earlier of October 29, 2012, or such other date upon the Noteholder may declare the Principal to be due and owing in accordance with Article 8 (the "**Maturity Date**").

(c) The Principal outstanding shall bear interest during each Interest Period at a nominal annual interest rate equal to the sum of eight percent (8.00%), compounded daily, not in advance, which interest shall accrue from day to day on the basis of a 360 day year consisting of twelve (12) months of thirty (30) days each and shall become due and be paid in full at the end of such Interest Period or, in the event that the Noteholder exercises the exchange right set out in Section 2(a), on the Exchange Date. Interest shall be paid in cash in CAD.

(d) If, at the Maturity Date, there exists an unremedied Event of Default pursuant to Article 8, the Noteholder shall have the option, upon written notice to the Company, to defer the Maturity Date until such Event of Default is remedied.

2. EXCHANGE OF THIS CONVERTIBLE LOAN NOTE

(a) At any time until the Principal and all accrued and unpaid interest is fully paid to the Noteholder, the Noteholder shall have the option, at any time, both before and after the Maturity Date, to exchange the entire Principal under this Convertible Loan Note into such number of fully paid Units calculated as set out in Section 2(b), by tendering at ***[address]***, at any time (the "**Exchange Date**") during normal business hours, this Convertible Loan Note together with a duly completed exchange notice in the form set out in Schedule 2(a) (the "**Exchange Notice**").

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(b) Upon the Noteholder complying with the provisions of Section 2(a), the Company shall (i) issue to the Noteholder upon such exercise of the exchange right the number of Units as is equal to the quotient obtained by dividing (x) the Principal of the Convertible Loan Note to be converted to and including the Exchange Date, by (y) an amount equal to the quotient obtained by dividing 1.20 by **[insert number equal to the greater of (A) 1.80 and (B) that number of Galaxy Shares determined by dividing 1.55 by the Canadian Dollar equivalent of the offering price per Acquireco Share under the Acquisition Financing]** (the "**Exchange Price**") subject to adjustment as provided in Article 3, and (ii) pay all accrued and unpaid interest payable under this Convertible Loan Note to the Noteholder.

(c) Once the Noteholder shall have complied with the provisions of Section 2(a), the number of Units to be issued upon such exercise of the exchange right shall be deemed to have been issued and the Noteholder (or such person in whose name any certificates representing Units shall be deliverable upon such exchange) shall be deemed to be a registered holder of such Units as of and from the Exchange Date.

(d) The Company shall immediately after the Exchange Date deliver to the Noteholder a certificate or certificates registered in the name of the Noteholder (or such person in whose name such certificate or certificates shall be deliverable as advised by the Noteholder) representing the number of Units to which the Noteholder is entitled hereunder.

(e) Exchanges pursuant to this Article 2 will extend only to the maximum number of whole Galaxy Shares and Warrants into which the aggregate Principal to be exchanged may be exchanged in accordance with the provisions hereof. The Company will not be required to issue fractional Galaxy Shares or Warrants upon exchange of the Principal but any fractional Galaxy Shares or Warrant shall be rounded down to the next whole number.

(f) If the Principal outstanding is exchanged and all accrued and unpaid interest thereon has been paid to the Noteholder, this Convertible Loan Note shall be cancelled by the Company and no Convertible Loan Note shall be issued in substitution herefor.

(g) The Company shall assume and pay all expenses incurred in connection with the issuance of the Units, including any legal fees resulting from the exchange of this Convertible Loan Note pursuant to this Article 2.

(h) The Company undertakes in favour of the Noteholder, so long as any exchange right in respect of this Convertible Loan Note may be exercised, and, without limiting the generality of the foregoing, as a condition to the taking of any action which would require an adjustment to the Exchange Price pursuant to Article 3, to ensure that any and all Units issued upon the

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exchange of this Convertible Loan Note shall be duly and validly allotted and issued and shall be fully paid, freely tradable and free of any prior subscription or other right, subject to resale restrictions under applicable securities legislation. The Company shall, at its expense and as expeditiously as possible, use commercially reasonable efforts to cause all Galaxy Shares issuable upon the exchange of this Convertible Loan Note and upon exercise of the Warrants to be duly listed on the ASX (as defined below) prior to the issuance of such shares no later than seven (7) days from the date of issue.

(i) For greater certainty and notwithstanding anything to the contrary contained herein or in the form of certificate representing the Warrants, if the Noteholder delivers an Exchange Notice to the Company within the period that is 10 business days prior to the Maturity Date, such Noteholder shall be entitled to provide, concurrently with such Exchange Notice, a notice of exercise in respect of all or part of the Warrants that such Noteholder is entitled to receive upon the exchange of Convertible Loan Note contemplated in such Exchange Notice; provided however that the Company shall not be obligated to give effect to such notice of exercise of Warrants unless the Noteholder delivers therewith a certified cheque or bank draft for an amount equal to the Warrant Exercise Price in respect of the Warrants so exercised. If the Noteholder elects to exercise such Warrants in the manner set out in this Section 3(i), the Company shall, in lieu of delivery of certificates representing that the Warrants as would otherwise be required by Section 2(d), deliver to the Noteholder certificates representing the additional Galaxy Shares that are issued pursuant to such exercise of the Warrants.

3. ADJUSTMENTS FOR THE PURPOSES OF EXCHANGE PROVISIONS

(a) The kind and number or amount of shares or other securities or property that the Noteholder is entitled to receive on exchange of this Convertible Loan Note at any date shall be subject to adjustment from time to time as follows:

(i) If and whenever, at any time prior to the repayment of the Principal by the Company, the Company

(A) subdivides or redivides the outstanding Galaxy Shares into a greater number of Galaxy Shares;

(B) combines, consolidates or reduces the outstanding Galaxy Shares into a lesser number of shares; or

(C) issues Galaxy Shares to all or substantially all of the holders of Galaxy Shares by way of a stock dividend

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(any such event being herein called a **"Share Reorganization"),** the Exchange Price will be adjusted, effective immediately after the record date at which holders of Galaxy Shares are determined for the purpose of such Share Reorganization, to a price which is equal to the product of: (x) the Exchange Price in effect immediately before such record date; and (y) the fraction of which the numerator is equal to the total number of Galaxy Shares that are outstanding on such record date before giving effect to such Share Reorganization and the denominator is equal to the total number of Galaxy Shares that are or would be outstanding immediately after such record date after giving effect to such Share Reorganization and assuming all rights to acquire Galaxy Shares thereunder had then been exercised.

(ii) If and whenever, at any time prior to the repayment of the Principal by the Company, there is:

(A) a reclassification of the Galaxy Shares outstanding, a change or exchange of Galaxy Shares into or for other shares or securities, or any other capital reorganization of the Company except as described in Sections 3 (a)(i) and 3(a)(v);

(B) a consolidation, merger, amalgamation, arrangement or other form of business combination of the Company with or into another corporation or other entity resulting in a reclassification of the Galaxy Shares outstanding or a change or exchange of Galaxy Shares into or for other shares or securities;

(C) a transaction whereby all or substantially all of the undertaking and assets of the Company become the property of another corporation or entity; or

(any such event being herein called a **"Corporate Reorganization"),** upon any exchange pursuant to Article 2 after the effective date of such Corporate Reorganization, the Noteholder will be entitled to receive and will accept, in lieu of the Galaxy Shares to which it would otherwise have been entitled, the kind and number or amount of shares or other securities or property that it would have been entitled to receive as a result of such Corporate Reorganization if, on the effective date thereof, the Noteholder had been the registered holder of the number of Galaxy Shares which it would have received had the entire outstanding Principal, together with all accrued

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interest thereon, been converted pursuant to Article 2 immediately before such effective date.

(iii) If the Company shall issue: (A) any Galaxy Shares prior to the exchange of this Convertible Loan Note for consideration (the **"Offer Price")** less than the Exchange Price that would be in effect at the time of such issue (a **"Share Offering"),** then, and thereafter successively upon each such issuance, (1) the Exchange Price that would be in effect at the time of such issue shall be reduced to such lower Offer Price and (2) the Warrant Exercise Price that would be in effect at the time of such issue will be reduced by an amount equal to the Exchange Price that would be in effect at the time of such issue less the Offer Price; and (B) any security or debt instrument of the Company carrying the right to convert or exchange such security or debt instrument into Galaxy Shares or of any warrant, right or option to purchase Galaxy Shares (a **"Convertible Security")** prior to the exchange of this Convertible Loan Note with a conversion or exchange price (the **"Conversion Price")** less than the Exchange Price that would be in effect at the time of such issue (a **"Convertible Security Offering")** (a Share Offering or a Convertible Security Offering is referred to herein as an **"Equity Offering"),** then, and thereafter successively upon each such issuance, (1) the Exchange Price that would be in effect at the time of such issue shall be reduced to such lower Conversion Price and (2) the Warrant Exercise Price that would be in effect at the time of such issue will be reduced by an amount equal to the Exchange Price that would be in effect at the time of such issue less the Conversion Price. For the purposes of this Section 3(a)(iii): (A) an Equity Offering shall not include any issuance of Galaxy Shares or Convertible Securities (1) pursuant to Sections 3(a)(i), 5(a)(ii), 3(a)(iv) or 3(a)(v); (2) pursuant to any Convertible Security outstanding on the date hereof (including this Convertible Loan Note and any other convertible loan notes issued by the Company on the date hereof) as disclosed to the Noteholder in writing; or (3) pursuant to options that may be issued under any employee incentive stock option and/or any qualified stock option plan adopted by the Company); (B) any adjustment under this Section 3(a)(iii) shall be subject to the requirements, if any, of the ASX (including any approvals of the ASX that may be required); and (C) the issuance of any Convertible Security shall result in an adjustment to the Exchange Price upon the issuance of such Convertible Security and again upon issue of Galaxy Shares upon exercise of such conversion or purchase rights if such issuance is at a price lower than the then applicable Exchange Price. The reduction of the Exchange Price described in this Section

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3(a)(iii) is in addition to any other rights of the Noteholder described herein.

(iv) If and whenever, at any time prior to the repayment of the Principal by the Company, the Company fixes a record date for the issuance of rights, options or warrants to all or substantially all the holders of its outstanding Galaxy Shares (any such event being herein called a **"Rights Offering"**) entitling them, for a period expiring not more than forty-five (45) calendar days after such record date, to subscribe for or purchase Galaxy Shares (or securities convertible or exchangeable into Galaxy Shares) at a price per share (or having a conversion or exchange price per share) less than ninety-six percent (96%) of the current market price on the record date at which holders of Galaxy Shares are determined for the purposes of the Rights Offering, the Exchange Price will be adjusted, effective immediately after such record date, to a price that is equal to the product of (x) the Exchange Price in effect on such record date and (y) the fraction of which the numerator is equal to the total number of Galaxy Shares outstanding on such record date plus a number of Galaxy Shares equal to the number arrived at by dividing the aggregate price of the total number of additional Galaxy Shares offered for subscription or purchase (or the aggregate exchange or exchange price of the convertible or exchangeable securities so offered) by such current market price, and of which the denominator shall be the total number of Galaxy Shares outstanding on such record date plus the total number of additional Galaxy Shares offered for subscription or purchase or into which the convertible or exchangeable securities so offered are convertible or exchangeable; provided that:

(A) such adjustment shall be made successively whenever such a record date is fixed; and

(B) to the extent that any such rights or warrants are not exercised prior to the expiration thereof, the Exchange Price shall be readjusted to the Exchange Price which would then be in effect if such record date had not been fixed or to the Exchange Price which would then be in effect based upon the number of Galaxy Shares (or securities convertible or exchangeable into Galaxy Shares) actually issued upon the exercise of such rights or warrants, as the case may be.

(v) If and whenever, at any time prior to the repayment of the Principal by the Company, the Company fixes a record date for

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the issue by way of dividend or other distribution to all or substantially all holders of Galaxy Shares of:

(A) securities other than shares of the Company;

(B) evidence of indebtedness;

(C) any cash, property or other assets, excluding cash dividends paid in the ordinary course;

(D) any rights, options or warrants to subscribe for, purchase or otherwise acquire securities of the Company (including, without limitation, Galaxy Shares or securities convertible into or exchangeable for Galaxy Shares) or any of its cash, property or assets and including evidences of indebtedness;

and to the extent that such dividend or distribution does not constitute an event described in Section 3(a)(ii) (any of such non-excluded events being herein called a **"Special Distribution"**) and effective immediately after the record date at which holders of Galaxy Shares are determined for purposes of such Special Distribution, the kind and number or amount of shares or other securities or property that the Noteholder is entitled to receive upon exchange pursuant to Article 2 shall be adjusted by such amount and in such manner as is determined by the auditors of the Company to be appropriate in order to properly reflect the diminution of value of the Galaxy Shares as a result of such Special Distribution (without reference to actual market values of those shares).

(b) The following rules and procedures will be applicable to adjustments made pursuant to this Article 3:

(i) the adjustments and readjustments provided for in this Article 3 are cumulative and, subject to Section 3(b)(ii) below, will apply (without duplication) to successive events that require such an adjustment;

(ii) no adjustment or readjustment provided for in Section 3(a) which would have the effect of increasing or decreasing the number of shares or other securities or property that the Noteholder is entitled to receive upon Exchange pursuant to Article 2 will be made unless the adjustment would result in a cumulative increase or decrease of at least 1% in such number of shares or other securities or property, provided that any such adjustment which, except for the provisions of this Section 3(b)(ii), would otherwise

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have been required to be made, will be carried forward and taken into account in any subsequent adjustment;

(iii) in any case in which Section 3(a) requires that an adjustment become effective immediately after a record date for a Share Reorganization, a Corporate Reorganization, an Equity Offering, a Rights Offering or a Special Distribution, the Company may defer, until the occurrence of such event, issuing to the Noteholder, in the case of the Convertible Loan Note being converted after the record date of such event and before the occurrence of such event, the additional Galaxy Shares issuable upon such exchange by reason of the adjustment required by such event before giving effect to such adjustment; provided, however, that the Company shall deliver to the Noteholder an appropriate instrument evidencing the Noteholder's right to receive such additional Galaxy Shares upon the occurrence of the event requiring such adjustment and the right to receive any distributions made on such additional Galaxy Shares declared in favour of holders of record of Galaxy Shares on and after the Exchange Date or such later date as the Noteholder would, but for the provisions of this subsection 3(b)(iii) have become the holder of record of such additional Galaxy Shares pursuant to Section 3(a);

(iv) in the absence of a resolution of the Board of Directors of the Company fixing a record date for purposes of any event referred to in this Article 3, the Company will be deemed to have fixed as the record date therefor the date at which the event is effected or such other date as may be required by law; and

(v) in the event of any question arising with respect to the application of any adjustments provided in this Article 3, such questions shall be conclusively determined by a firm of chartered accountants appointed by the Company and acceptable to the Noteholder (who may be the auditors of the Company). Such accountants shall have access to all necessary records of the Company and such determination shall be binding upon the Company and the Noteholder.

(c) In the event of the occurrence of a matter referred to in Section 3(a), no adjustment will be effected pursuant to this Article 3 if the Noteholder is allowed to participate in such Share Reorganization, Corporate Reorganization, Equity Offering, Rights Offering or Special Distribution as if the Noteholder had exercised its Exchange rights immediately prior to the record date of such event.

(d) The Company shall, so long as the Convertible Loan Note remains outstanding, give notice to the Noteholder, in the manner provided in

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Article 9, of its intention to fix a record date for any event referred to in Section 3(a) which may give rise to an adjustment pursuant to this Article 3, and, in each case, such notice shall specify the particulars of such event and the record date and the effective date for such event; provided that the Company shall only be required to specify in such notice such particulars of such event as shall have been fixed and determined on the date on which such notice is given. Such notice shall be given not less than ten (10) days in each case prior to such applicable record date.

4. ISSUANCE OF REPLACEMENT CONVERTIBLE LOAN NOTE

(a) In the event of the loss, destruction, mutilation or theft of this Convertible Loan Note or any note executed, issued and delivered in substitution for and in lieu and replacement hereof, the Company shall, subject to Section 4(b), execute, issue and deliver a new Convertible Loan Note bearing the same date, the same Principal amount and the same terms and conditions as the Convertible Loan Note so lost, destroyed, mutilated or stolen, in substitution for and in lieu and replacement of such lost, destroyed or stolen note or upon surrender and cancellation of such mutilated note.

(b) The Noteholder shall, as a condition to the issuance of a replacement Convertible Loan Note, provide to the Company proof of the loss, destruction, mutilation or theft of the original note which is reasonably acceptable to the Company, including but not limited to a statutory declaration by the Noteholder or a senior officer thereof confirming such loss, destruction, mutilation or theft and the Noteholder may further be required to deliver to the Company, at the Company's option, an indemnity in an amount and a form satisfactory to the Company and to pay the reasonable expenses incurred by the Company with respect to such replacement.

5. REPRESENTATIONS AND WARRANTIES

The Company acknowledges that the Noteholder is relying upon the representations, warranties and covenants of the Company contained herein in connection with the advance of the Principal, and that no investigation at any time made by or on behalf of the Noteholder shall diminish in any respect whatsoever its rights to rely thereon. All such representations, warranties and covenants of the Company to the Noteholder shall, so long as this Convertible Loan Note remains in effect, be deemed to be true, correct and continuously made. The Company represents and warrants to the Noteholder as follows:

(a) the Company and each Subsidiary is a corporation duly incorporated and validly existing under the laws of its jurisdiction of incorporation and has all necessary corporate power and authority to own its properties and carry on its business as presently carried on by it and each is duly licensed, registered or

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qualified in all jurisdictions where the character of its property owned or leased or the nature of the activities conducted by it makes such licensing, registration or qualification necessary or desirable;

(b) the Company has full corporate power and authority to enter into this Convertible Loan Note and any related documentation and to do all acts and execute and deliver all other documents as are required hereunder or thereunder to be done, observed or performed by it in accordance with their terms;

(c) the Company has taken all necessary corporate action to authorize the creation, execution, delivery and performance of this Convertible Loan Note and any related documentation and to observe and perform the provisions of each in accordance with its terms;

(d) this Convertible Loan Note constitutes and, when executed and delivered, any related documentation will constitute, valid and legally binding obligations of the Company enforceable against it in accordance with their respective terms subject to applicable bankruptcy, insolvency and other laws of general application limiting the enforceability of creditors' rights and to the fact that specific performance is an equitable remedy available only in the discretion of the court. Neither the execution and delivery of this Convertible Loan Note or any related documentation, nor compliance with the terms and conditions of any of them, (i) has resulted or will result in a violation of the constitution of the Company or its Subsidiaries or any resolutions passed by the board of directors or shareholders of the Company or its Subsidiaries or any applicable law, rule, regulation, order, judgement, injunction, award or decree, (ii) has resulted or will result (subject to receipt of any required consents) in a breach of, or constitute a default under, any loan agreement, indenture, trust deed or any other agreement or instrument to which the Company or any Subsidiary is a party or by which it is bound or (iii) requires any approval or consent of any governmental authority or agency having jurisdiction except such as has already been obtained;

(e) the Galaxy Shares outstanding as at the date hereof are listed on the Australian Securities Exchange (the "**ASX**");

(f) the ASX has conditionally approved the issue of this Convertible Loan Note and the listing of the Galaxy Shares issuable upon exchange of this Convertible Loan Note and upon exercise of the Warrants;

(g) the Company has not taken any action that would reasonably be expected to result in the delisting or suspension of the Galaxy Shares on or from the ASX;

(h) the Company is not in material default of any of its obligations under applicable Canadian or Australian securities laws;

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(i) no event has occurred and is continuing which:

(i) constitutes an Event of Default referred to in Article 8;

(ii) with the giving of notice or lapse of time or both, would constitute an event of default under any other contract, mortgage, debenture, indenture, lease, licence, agreement or other document or instrument to which the Company is a party or by which the Company is bound or to which any of its assets is subject which have a material adverse effect on the Company's ability to perform its obligations hereunder or on the financial condition, business, properties, assets, capital, net worth, results of operations or prospects of the Company;

(j) there is no litigation pending or, to the knowledge of the Company or its Subsidiaries, threatened against or affecting the Company or any of its Subsidiaries or any of their undertakings and assets, at law, in equity or before any arbitrator or before or by any governmental department, body, commission, board, bureau, agency or instrumentality having jurisdiction in the premises in respect of which there is a reasonable possibility of a determination adverse to the Company or any Subsidiary and which could, if determined adversely, materially and adversely affect the ability of the Company to perform any of its obligations under this Convertible Loan Note and any related documentation and neither the Company nor any Subsidiary is in default with respect to any law, regulation, order, writ, judgement, injunction or award of any competent government, commission, board, agency, court, arbitrator or instrumentality which would have such an effect;

(k) after diligence inquiry, as at the date hereof, the Company is not aware of any failure on its part or on the part of any of its Subsidiaries to comply in all material respects with all applicable environmental laws;

(l) (i) upon issue, the Galaxy Shares issuable upon exchange of this Convertible Loan Note and, (ii) upon payment therefore and issue, the Galaxy Shares issuable upon exercise of the Warrants, will be duly and validly issued, fully paid and non-assessable and the Company agrees that its issue of this Convertible Loan Note will constitute full authority to its officers, agents and transfer agents who are charged with the duty of executing and executing share and warrant certificates to execute and issue the necessary certificates for the Galaxy Shares issuable upon exchange of this Convertible Loan Note and exercise of the Warrants subject to the terms and conditions of this Convertible Loan Note.

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6. COVENANTS AND UNDERTAKINGS OF THE COMPANY

As long as this Convertible Loan Note is outstanding, the Company covenants, agrees and undertakes in favour of the Noteholder that it shall, and it shall procure that each Subsidiary shall:

(a) duly and punctually pay or cause to be paid when due the Principal and all other monies which it may become obligated to pay to the Noteholder pursuant to this Convertible Loan Note;

(b) pay on demand any and all reasonable costs, charges and expenses, including any legal costs incurred by the Noteholder on the basis as between a solicitor and its client, of and incidental to:

(i) any matter which the Company asks the Noteholder to consider in connection with this Convertible Loan Note;

(ii) the Noteholder's performance of any covenant in this Convertible Loan Note;

(iii) any default or possible default by the Company under this Convertible Loan Note;

(iv) any steps or proceedings taken under this Convertible Loan Note or otherwise by reason of non-payment or procuring payment of the monies payable under this Convertible Loan Note; or

(v) the preparation, negotiation, settlement, execution, delivery and entry into effect of this Convertible Loan Note;

and such costs, charges and expenses will bear interest at the rate aforesaid from the date of the Noteholder incurring or being charged the same;

(c) at all times maintain, and procure that each Subsidiary maintains, its corporate existence in good standing under the laws of its present jurisdiction and obtain and maintain in good standing all necessary licences and registrations in any jurisdictions where it, or each Subsidiary has business assets or is carrying on business or where the nature of the business carried on by it or each Subsidiary makes such licenses necessary or advantageous and carry on and conduct its business in a prompt and efficient manner;

(d) provide all information which the Noteholder may reasonably request and notify the Noteholder promptly of any material change in the information contained herein relating to it, its business or its Business Assets, including, without limitation:

(i) any change of name or address;

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(ii) details of any material Litigation affecting it or its business or its Business Assets;

(iii) any loss or damage of a material amount to its Business Assets; and

(iv) particulars of any Event of Default and particulars of the action which it proposes to take with respect thereto, forthwith after it has obtained knowledge of the occurrence of such event;

provided that under no circumstances will it be required to provide to the Noteholder any information if the provision of such information will result in or give rise to a contravention of any law, rule or regulation applicable to it;

(e) immediately and duly pay when due:

(i) all obligations to its employees and all obligations to others which relate to its employees including, without limitation, all Taxes, claims and dues related thereto;

(ii) all Taxes, rates, assessments, dues, impositions or other obligations lawfully levied, assessed or imposed upon it or its Business Assets, or any part thereof, by virtue of any law, regulation, rule, order, direction or requirement of any Government Body, before the imposition of any fine, interest or penalty for the late payment thereof, unless it shall in good faith contest its obligation so to pay; and

(iii) any obligation secured by any Lien, and any obligation incurred by, or imposed on, it or any of its Business Assets, or any part thereof, by virtue of any contract, mortgage, debenture, indenture, lease, license, agreement, permit or other document or instrument or otherwise, the breach or default of which could result in any Lien, or any right of distress, forfeiture, sale or termination or any other remedy being enforced against it or its Business Assets, property, effects and undertaking, or any part thereof

(f) observe and perform all of its obligations, covenants, terms and conditions under this Convertible Loan Note and all its material obligations, covenants, terms and conditions under any contract, mortgage, debenture, indenture, lease, license, agreement, instrument to which it is a party, or by which it is bound or by which it or any of its business assets is subject;

(g) maintain complete and up-to-date records and books of account of the Company in accordance with AIFRS;

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(h) promptly inform the Noteholder of the occurrence of an Event of Default and, upon receipt of a written request to that effect from the Noteholder, confirm to the Noteholder that, save as previously notified to the Noteholder or as notified in such confirmation, no Event of Default or any event which constitutes an event of default under any document (other than this Convertible Loan Note) has occurred or is continuing;

(i) comply in all material respects with any law, ordinance, order or award by any governmental body;

(j)

(i) manage and operate its business assets in compliance with all environmental laws;

(ii) make and maintain all environmental permits required under all environmental laws in relation to its business assets and remain in compliance therewith; and

(iii) store, treat, transport, generate, otherwise handle and dispose of all substances owned, managed or controlled by it in compliance with all environmental laws;

(k) reserve from its authorized and unissued Share Capital a sufficient number of Galaxy Shares to provide for the issue of Galaxy Shares upon exchange of this Convertible Loan Note and exercise of the Warrants; and

(l) the Company undertakes in favour of the Noteholder that it will take all necessary action, whether satisfying the conditions of ASIC Class Order 10/322 at the time of issue of the Convertible Loan Note or satisfying the conditions of section 708A(5) of the Corporations Act 2001 at the time of issue of any Galaxy Shares, to ensure that such Galaxy Shares issued upon exchange of this Convertible Loan Note and/or exercise of any Warrants are freely tradable and not subject to any resale restrictions within Australia.

7. WITHHOLDING TAXES

(a) Each payment required to be made by the Company to the Noteholder under this Convertible Loan Note shall be made without set-off or counterclaim, free and clear of, and without deduction or withholding for or on account of, any Taxes (other than the Noteholder's Own Taxes), except to the extent such deduction or withholding is required by any applicable law then in effect. To the extent and each time the Company is so required to deduct or withhold Taxes (other than the Noteholder's Own Taxes) from or in respect of any such payment to or for the account of the Noteholder, then the Company will:

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(i) promptly notify the Noteholder of such requirement (provided for greater certainty that a notice in respect of more than one such payment will be sufficient for this purpose);

(ii) pay to the relevant Governmental Body when due the full amount required to be deducted or withheld (including the full amount of Taxes required to be deducted or withheld from any additional amount paid by the Company to or for the account of the Noteholder under subsection 7(a)(iv);

(iii) promptly forward to the Noteholder an official receipt (or a certified copy), a copy of a cheque issued to the relevant Governmental Body, or other documentation reasonably acceptable to the Noteholder, evidencing such payment to such Governmental Body; and

(iv) forthwith pay to the Noteholder, in addition to the payment to which the Noteholder is otherwise entitled under this Convertible Loan Note, such additional amount as is necessary to ensure that the net amount actually received by the Noteholder (free and clear of, and net of, any such Taxes, including the full amount of Taxes required to be deducted or withheld from any additional amount paid by the Company under this subsection 7(a)(iv), whether assessed against the Company or the Noteholder) will equal the full amount the Noteholder would have received had no such deduction or withholding been required.

(b) If the Company fails to pay to the relevant Governmental Body when due any Taxes that it was required to deduct or withhold under section 7(a) in respect of any payment to or for the benefit of the Noteholder under any Transaction Document, or fails to promptly furnish the Noteholder with the documentation referred to in Section 7(c), the Company shall forthwith on demand indemnify the Noteholder on a full indemnity after-Taxes basis from and against all resulting losses and expenses (including interest and penalties) which the Noteholder may suffer or incur as a result of such failure.

(c) If, in respect of any amount payable by the Company to the Noteholder under this Convertible Loan Note, the Company gives the Noteholder written notice of an exemption or a reduced rate or amount of tax that may be applicable in respect of the deduction or withholding of Taxes therefrom, then the Noteholder will use commercially reasonable efforts to cooperate with the Company to obtain the benefit of such exemption or reduced rate, including providing the Company with certificates regarding the relevant facts (including without limitation the residence of the Noteholder and its entitlement to the benefits of an applicable international

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income tax treaty), making administrative filings, or taking other action reasonably requested by the Company, so that the deduction or withholding made by the Company pursuant to Section 7(a) does not exceed the minimum amount legally required under applicable law.

(d) If the Noteholder has claimed or is entitled to claim a refund or able to apply for or otherwise take advantage of any Tax credit, Tax deduction or other Tax benefit by reason of any withholding or deduction in respect of which the Company has made an additional payment pursuant to Section 7(a)(iv), then the Noteholder will (provided the Company has paid the amounts described in Sections 7(a)(ii), 7(a)(iv) and 7(b), if applicable) pay to the Company such amount (if any), not exceeding the additional amount so paid by the Noteholder, as will leave the Noteholder in no worse position than the Noteholder would have been in if such deduction or withholding had not been required, and in the event of any dispute regarding the amount to be paid by the Noteholder to the Company pursuant to this Section 7(d), the auditors of the Noteholder will determine such amount, provided that (i) nothing herein shall interfere with the right of the Noteholder to arrange its tax affairs in whatever manner it deems fit and in particular the Noteholder shall not be under any obligation to claim relief from its corporate profits or similar tax liability in respect to any such deduction or withholding in priority to any other relief, claims, credits or deductions available to it and (ii) the Noteholder shall not be obligated to disclose to the Company any confidential information regarding its tax affairs or tax computations.

8. DEFAULT AND EXECUTION

(a) An event of default ("**Event of Default**") shall occur if:

(i) the Company shall fail to pay any amount payable hereunder when the same becomes due, and, if such default shall be capable of being remedied or cured, the Company shall fail to remedy or cure such default within a period of three (3) Business Days after such amount has become due;

(ii) the Company shall fail to perform or observe any obligation hereunder, and, if such default shall be capable of being remedied or cured, the Company shall fail to remedy or cure such default within a period of fifteen (15) Business Days after the earlier of (A) the date the Company has knowledge of such default or (B) notice in writing has been given by the Noteholder to the Company;

(iii) any representation, warranty or statement made under this Convertible Loan Note by the Company shall be false, misleading or incorrect when made or repeated, and, if such

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default shall be capable of being remedied or cured, the Company shall fail to remedy or cure such default within a period of fifteen (15) Business Days after the earlier of (A) the date the Company has knowledge of such default or (B) notice in writing has been given by the Noteholder to the Company;

(iv) there is a suspension from trading or failure of the Galaxy Shares to be listed on the ASX for a period of five (5) consecutive days;

(v) the Company or any Subsidiary defaults under any one or more agreements, documents or instruments relating to Indebtedness (other than Indebtedness under this Convertible Loan Note) in an aggregate amount exceeding US$250,000 (or the equivalent amount in another currency) and, if there is any cure period applicable to such default, such cure period lapses without the default being cured;

(vi) the Company or any Subsidiary defaults under any other contract, mortgage, debenture, indenture, lease, licence, agreement or other document or instrument to which the Company or a Subsidiary is bound or to which any of its assets is subject and, if there is any cure period applicable to such default, such cure period lapses without the default being cured and such default may have a material adverse effect on the Company's or such Subsidiary's ability to perform its obligations hereunder or on the financial condition, business, properties, assets, capital, net worth, results of operations or prospects of the Company or any Subsidiary (a "**Material Adverse Change**");

(vii) the Company or any Subsidiary ceases or suspends or threatens to cease or suspend all or a substantial portion of its business; or

(viii) if (A) any litigation is commence which, if determined adversely to the Company or any Subsidiary or to the rights of the Noteholder contemplated under this Convertible Loan Note would constitute a Material Adverse Change; (B) this Convertible Loan Note or any material right hereunder becomes or is determined by a court of competent jurisdiction to be invalid, unenforceable or ineffective, or (C) the Company denies that is has any further obligations hereunder or challenges the validity of any provision hereof;

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(b) If an Event of Default is not remedied in the specified time and subject to Section 8(c), the Noteholder may, at its option, by written notice to the Company:

(i) declare the Principal outstanding hereunder, together with accrued interest and any other amounts payable hereunder, to be due and payable and the same shall forthwith become immediately due and payable to the Noteholder, notwithstanding anything to the contrary herein, and the Company shall pay forthwith to the Noteholder the amount of the Principal then outstanding and accrued interest and any other amounts payable hereunder;

(ii) demand the exchange of the Convertible Loan Note in accordance with the provisions of Article 2 and demand that, if lower, the Exchange Price be repriced such that the Exchange Price is equal to eighty-five percent (85%) of the 5-day volume weighted average closing price of Galaxy Shares traded on the ASX prior to the date of the Exchange Notice, provided that any adjustment under this Section 8(b)(ii) shall be subject to the requirements, if any, of the ASX (including any approvals of the ASX that may be required);

(iii) demand that security satisfactory to the Noteholder be provided by the Company, by way of charge on the assets of the Company or otherwise or procure the Company to provide a guarantee of the obligations of the Company hereunder and security satisfactory to the Noteholder; or

(iv) take any other action, commence and prosecute any litigation or exercise such other rights as may be permitted by applicable law (whether or not provided for in this Convertible Loan Note) at such times and in such manner as the Noteholder may consider expedient.

(c) Should an Event of Default occur, the Noteholder may, at its option, exercise its rights by any act, proceeding, recourse or procedure authorized or permitted by law and may file its proof and any other documents necessary or desirable so that the request of the Noteholder may be considered in any liquidation or other proceeding with respect to the Company.

(d) The Noteholder may waive any breach or default by the Company under this Convertible Loan Note and under any other agreement or instrument of which the Noteholder has the benefit and may waive its rights arising from the occurrence of an Event of Default. No waiver or consent by the Noteholder shall be effective against or bind the Noteholder unless it is in

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writing. Any waiver or consent given by the Noteholder or any failure on its part to exercise any of its rights hereunder will not extend to or be taken in any manner whatsoever to affect any subsequent breach or default or the rights resulting or arising therefrom or to effect a waiver thereof. The inspection or approval by the Noteholder of any document or matter or thing done by the Company shall not be deemed to be a warranty or holding out or approval of the adequacy, effectiveness or binding effect of such document, matter or thing or a waiver of obligations of the Company hereunder.

(e) If the Company fails to perform any of the covenants, agreements or conditions herein contained, the Noteholder may in its discretion, but will not be obligated to, perform the same and if any such covenant, agreement or condition requires the payment or expenditures of money, the Noteholder may make such payment or expenditure, and all costs, charges and expenses thereby incurred and all sums so paid or expended will at once be payable by the Company to the Noteholder, it being further understood and agreed that no such performance or payment will be deemed to relieve the Company from any default hereunder.

(f) The delay or omission of the Noteholder to exercise any recourse mentioned above shall not invalidate any such recourse nor be interpreted as a waiver of any default hereunder.

(g) No power, privilege, remedy or right herein conferred upon or reserved to the Noteholder is intended to be exclusive of any other power, privilege, remedy or right, but each and every such power, privilege, remedy or right shall be cumulative and shall be in addition to every other power, privilege, remedy or right given hereunder or under any other agreement, document or instrument now existing or hereafter to exist by law or in equity or by statute.

(h) The delay or omission of the Noteholder to exercise any recourse mentioned above shall not invalidate any such recourse nor be interpreted as a waiver of any default hereunder.

(i) The Company shall indemnify the Noteholder for any loss and expense it suffers as a result of an Event of Default or as a result of the Noteholder exercising its rights upon the occurrence of an Event of Default.

(j) In the event of the occurrence of an Event of Default the Company hereby waives demand, presentment for payment, notice of non-payment, protest and notice of protest or any other action being required and service of legal process or the making of any similar procedure.

(k) If an Event of Default referred to in Subsection 8(a)(i) occurs, unless the Noteholder otherwise agrees, the Transaction Obligations shall be

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accelerated and become immediately due and payable automatically without any action on the part of the Noteholder being required.

(l) Neither the taking of any judgment under a covenant herein contained or otherwise nor the exercise by the Noteholder of any right, remedy, power or privilege conferred hereby or otherwise shall operate to extinguish the obligation of the Company to pay the Principal and any other amount payable hereunder or as a merger of any covenant herein contained or otherwise, and the acceptance of any payment or security shall not constitute nor create a novation.

9. NOTICE

(a) All notices, demands, consents, approvals or other communications to be given hereunder shall be deemed to be validly given to a party if sent by ordinary international mail, postage prepaid, by letter or circular addressed to such party at the address below and shall be deemed to have been received on the fifth (5th) Business Day following the day of mailing or at the time of actual delivery, if delivered.

(i) If to the Company:

Attn: Mr Iggy Tan
Managing Director
Level 2, 16 Ord Street
West Perth, WA 6005

Tel: +61 8 9215 1700
Fax: +61 8 9215 1799

(ii) If to the Noteholder:

<*>
<*>
<*>

Attention: <*>

(b) The Company or the Noteholder, as the case may be, may from time to time notify the other in accordance with the provisions hereof, of any change of address which thereafter, until changed by like notice, shall be its address for all purposes of this Convertible Loan Note.

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10. ASSIGNMENT OF THIS CONVERTIBLE LOAN NOTE

(a) This Convertible Loan Note is non-transferable by the Noteholder without the express prior written consent of the Company which consent shall not be unreasonably withheld or delayed.

(b) This Convertible Loan Note is non-transferable by the Company without the express prior written consent of the Noteholder which consent shall not be unreasonably withheld or delayed.

(c) The Company hereby expressly agrees that the assignee or transferee of the Noteholder, as the case may be, shall have all of the Noteholder's rights and remedies under this Convertible Loan Note and the Company will not assert any defence, counterclaim, right of set-off or otherwise any claim which it now has or hereafter acquires against the Noteholder in any action commenced by such assignee or transferee, as the case may be, and will pay the amounts due under this Convertible Loan Note to the assignee or transferee, as the case may be, as the said amounts become due.

11. CONFIDENTIALITY

Subject as provided below, the Company and the Noteholder shall keep the terms and conditions of this Convertible Loan Note confidential. Subject to any disclosure requirements of the Canadian or Australian securities rules and the policies of the ASX, the terms and conditions of the Convertible Loan Note shall only be discussed or disclosed if required by law or if consent is received from the non-disclosing party.

12. GENERAL MATTERS

(a) The division of this Convertible Loan Note into articles and sections and the insertion of titles are for convenience of reference and shall have no effect on the interpretation hereof. The terms **"this Convertible Loan Note", "hereof", "hereunder"** and similar expressions refer to this Convertible Loan Note and not to any particular Article, Section, Subsection, Schedule, paragraph, subparagraph, Clause or other portion of this Convertible Loan Note.

(b) Any action required or permitted to be taken or made hereunder on any day which is not a Business Day may be taken or made on the next succeeding day that is a Business Day with the same force and effect as if taken within the period for the taking of such action. "Business Day" shall mean a day other than a Saturday, Sunday, or a day on which banks are not open for business in Canada, London and New York.

(c) Unless otherwise expressly provided or unless the context otherwise requires, words importing the singular number only shall include the plural

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and vice versa and words importing the masculine gender shall include the feminine and neuter genders, all as the context may require.

(d) Time is of the essence of this Convertible Loan Note.

(e) Each of the provisions contained in this Convertible Loan Note is distinct and severable. If any covenant or provision of this Convertible Loan Note or any part hereof shall be found or determined to be void, invalid, illegal, unenforceable or prohibited by law it shall not be deemed to affect or impair the validity of any other covenant or provision herein or portion hereof, as the case may be, and such covenant or provision or portion shall be severable from this Convertible Loan Note and the remainder of this Convertible Loan Note shall be construed as if such invalid, illegal or unenforceable provision or part had been deleted herefrom.

(f) Except as otherwise specifically provided, any reference in this Convertible Loan Note to any contract, mortgage, debenture, indenture, lease, licence, agreement or any other document or instrument shall be deemed to include references to the same as varied, amended, supplemented or replaced from time to time, and any reference in this Convertible Loan Note to any enactment, including without limitation any statute, law, by-law or regulation, shall be deemed to include references to such enactment as re-enacted, amended or extended from time to time.

(g) No modification, variation or amendment of any provision of this Convertible Loan Note shall be made except by written agreement, executed by the parties hereto and no waiver of any provision hereof shall be effective unless in writing.

(h) This Convertible Loan Note shall enure to the benefit of the Noteholder and its successors and assigns and shall be binding upon the Company and its successors and assigns.

(i) If any sum payable by the Company under any provision of this Convertible Loan Note is not paid when due and payable hereunder (whether on its stipulated due date, on demand, on acceleration or otherwise), the Company shall pay interest on the outstanding balance thereof at twelve percent (12.00%) per annum.

(j) The Transaction Obligations will be paid by the Company without regard to any equities between the Company and the Noteholder or any right of set-off or counterclaim. Any Indebtedness owing by the Noteholder to the Company, direct or indirect, extended or renewed, actual or contingent, matured or not, may be set off or applied against, or combined with, the Transaction Obligations by the Noteholder at any time, either before or after maturity, without demand upon or notice to anyone.

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(k) If, for the purposes of obtaining or enforcing judgment in any court in any jurisdiction, it becomes necessary to convert into the currency of the jurisdiction giving such judgment (the "**Judgment Currency**") an amount due under any Transaction Document in any other currency (the "**Original Currency**"), then the date on which the rate of exchange for Exchange is selected by that court is referred to herein as the "Date of Exchange". If there is a change in the rate of exchange between the Judgment Currency and the Original Currency between the Date of Exchange and the actual receipt by the Noteholder of the amount due to it under such Transaction Document or under such judgment, the Company shall, notwithstanding such judgment, pay all such additional amounts as may be necessary to ensure that the amount received by the Noteholder in the Judgment Currency, when converted at the rate of exchange prevailing on the date of receipt, will produce the amount due in the Original Currency. The Company's liability hereunder constitutes a separate and independent liability which shall not merge with any judgment or any partial payment or enforcement of payment of sums due under this Convertible Loan Note.

13. INTERPRETATION

(a) As used in this Convertible Loan Note:

(i) **"Affiliate"** means with respect to the relationship between companies, where

(A) one of them is the subsidiary of, or controlled by, the other, or,

(B) each of them is controlled by the same company, (where control means the direct or indirect holding of voting securities sufficient to elect a majority of the directors of the applicable company).

(ii) "A**IFRS**" means the International Financial Reporting Standards.

(iii) **"Award"** means any judgment, decree, injunction, rule, award or Order of any Governmental Body, arbitrator or other decision-making authority of competent jurisdiction.

(iv) "**Bankruptcy Event**" means, with respect to the Company: (a) a receiver, receiver and manager, official manager, trustee, administrator, other controller (as defined in the Corporations Act) or similar official is appointed, or steps are taken for such appointment, over any of the assets or undertaking of the Company; (b) an administrator is appointed or a resolution is passed or any steps are taken to appoint, or to pass a resolution

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to appoint, an administrator to the Company; (c) an application or order (which application has not been withdrawn or order dismissed within 30 days after it is made) is made for winding-up or dissolution of the Company or a resolution is passed or any steps are taken to pass a resolution for the winding up or dissolution of the Company otherwise than for the purpose of an amalgamation or reconstruction which has the prior written consent of the Noteholder; (d) the Company is or becomes unable to pay its debts as and when they fall due or is or becomes unable to pay its debts within the meaning of the Corporations Act or is presumed to be insolvent under the Corporations Act; (e) the Company enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them; or (f) the Company suspends payments of its debts generally.

(v) **"Business Affairs"** means, in respect of any Person, the Business Assets, liabilities, financial condition, prospects and results of operations of that Person.

(vi) **"Business Assets"** means, in respect of any Person, the business, operations, undertaking, property and assets of that Person.

(vii) **"Canadian Dollars"** and the symbol **"CAD"** each means the lawful currency of Canada.

(viii) "***Corporations Act***" means the *Corporations Act 2001*(Cth)

(ix) "**Galaxy Shares**" means the ordinary shares of the Company.

(x) "**Governmental Body**" means any international tribunal, agency, body commission or other authority (including that of any union of nations), any government, executive, parliament, legislature or local authority or any governmental body, ministry, department or agency or regulatory authority, court, tribunal, commission or board of or within Australia or any other foreign jurisdiction, or any political subdivision of any thereof or any authority having jurisdiction therein.

(xi) **"Income Taxes"** means taxes based on or measured by income or profit of any nature or kind, including Australian Taxes and similar such taxes imposed by any foreign jurisdiction (including any union of nations).

(xii) **"Interest Period"** means a period of three (3) months, with the first Interest Period commencing on the date of this Convertible Loan Note, provided that:

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(A) the last day of each Interest Period will be also the first day of the next Interest Period;

(B) the last day of each Interest Period will be a Business Day; if the last day of an Interest Period is not a Business Day, the last day of the Interest Period shall be deemed to be the next following Business Day; and

(C) the last Interest Period must expire on the Maturity Date.

(xiii) **"Lien"** means (i) any right of set-off intended to secure the payment or performance of an obligation, (ii) any interest in property created by way of mortgage, pledge, charge, lien, assignment by way of security, hypothecation, security interest, hire purchase agreement, conditional sale agreement, Sale/Lease-Back Transaction, deposit arrangement, title retention, capital lease or discount, factoring or securitization arrangement on recourse terms, (iii) any statutory deemed trust or lien, (iv) any preference, priority, adverse claim, levy, execution, seizure, attachment, garnishment or other encumbrance which binds property and (v) any agreement to grant any of the foregoing rights or interests described in Clauses (i) to (iv) of this definition.

(xiv) **"Noteholder's Own Taxes"** means any Taxes now or hereafter imposed, levied, collected, withheld or assessed on the Noteholder by any applicable Governmental Body of any jurisdiction in which the Noteholder is subject to Taxes as a result of the Noteholder (i) having a permanent establishment in such jurisdiction, (ii) being organized under the laws of such jurisdiction, (iii) being resident in such jurisdiction or (iv) being engaged in a trade or business in such jurisdiction; but does not include (A) any Sales Taxes payable under the laws of any such jurisdiction with respect to any goods or services made available by the Noteholder or (B) Taxes levied only by reason of the fact that the Noteholder has executed, delivered, performed its obligations under, has received or is entitled to receive payments under, or has enforced this Convertible Loan Note.

(xv) **"Order"** means any order, directive, direction or request of any Governmental Body, arbitrator or other decision-making authority of competent jurisdiction.

(xvi) **"Person"** means an individual, corporation, company (limited, unlimited, unlimited liability or other), limited liability

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corporation, other body corporate, estate, limited, limited liability or general partnership, trust, trustee, joint venture, other legal entity, unincorporated association or Governmental Body.

(xvii) **"Preferred Shares"** means Share Capital of a specified Person which that Person or any Affiliate of it may be required to redeem, purchase or otherwise acquire, or that is retractable at the option of the holder, before that date that falls six (6) months after the Maturity Date.

(xviii) **"Sales Taxes"** means sales, transfer, turnover or value added taxes of any nature or kind, including Australian and Canadian goods and services taxes and federal, state and provincial sales and excise taxes.

(xix) **"Spot Rate"** as at any date with respect to the Exchange of an amount in one currency (the **"original currency")** to another currency (the **"other currency")** means the Bank of Canada noon rate of exchange on the immediately preceding Business Day for the purchase of such original currency with such other currency (and if neither currency is Canadian Dollars, purchasing Canadian Dollars first with such other currency and using the Canadian Dollars purchased to purchase the original currency).

(xx) **"Subsidiary"** means the direct or indirect subsidiaries (as defined in the *Business Corporations Act* (Ontario)) of the Company from time to time.

(xxi) **"Taxes"** means all taxes of any kind or nature whatsoever including federal large corporation taxes, provincial capital taxes, realty taxes (including utility charges and business taxes which are collectible like realty taxes), property transfer taxes, Income Taxes, Sales Taxes, customs duties, payroll taxes, levies, stamp taxes, royalties, duties, and all fees, deductions and withholdings imposed, levied, collected, withheld or assessed as of the date hereof or at any time in the future, by any Governmental Body of or within Australia or Canada, or any other jurisdiction whatsoever having power to tax, together with penalties, fines, additions to tax and interest thereon.

(xxii) "**Transaction Document**" means any documents executed by the Company pursuant to this Convertible Loan Note or for the purposes of performing the Company's obligations hereunder;

(xxiii) **"Transaction Obligations"** means the Indebtedness and other obligations of the Company owing to the Noteholder arising

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under, pursuant to or otherwise in respect of this Convertible Loan Note, and any item or part thereof.

(xxiv) **"Unit"** means one Galaxy Share and one half of one Warrant.

(xxv) **"Warrant"** means one whole Galaxy Share purchase warrant entitling the holder thereof to acquire one (1) Galaxy Share at the Warrant Exercise Price up to and including October 29, 2012.

(xxvi) "**Warrant Exercise Price**" means the amount in CAD equal to the quotient obtained by dividing 1.50 by **[insert number equal to the greater of (A) 1.80 and (B) that number of Galaxy Shares determined by dividing 1.55 by the Canadian Dollar equivalent of the offering price per Acquireco Share under the Acquisition Financing]**.

(b) To the extent the context so admits, any reference in this Convertible Loan Note to:

(i) **"agreement"** shall be construed as any agreement, oral or written, any simple contract, deed or specialty, and includes any bond, bill of exchange, indenture, instrument or undertaking;

(ii) **"change"** shall be construed as change, modify, alter, amend, supplement, extend, renew, compromise, novate, replace, terminate, release, discharge, cancel, suspend or waive or (where the context so admits) the noun or participle form of any of the foregoing, and **"changed"** shall be construed in like manner;

(iii) **"dispose"** shall be construed as lease, sell, transfer, license or otherwise dispose of any property, or the commercial benefits of use or ownership of any property, including the right to profit or gain therefrom, whether in a single transaction or in a series of related transactions (other than the payment of money), and **"disposed", "disposition"** and **"disposal"** shall be construed in like manner;

(iv) **"guarantee"** shall be construed as any guarantee, indemnity, letter of comfort or other assurance made in respect of any Indebtedness, other obligation or financial condition of another, including (i) any purchase or repurchase agreement, (ii) any obligation to supply funds or invest in such other, (iii) any keep-well, take-or-pay, through-put or other arrangement having the effect of assuring or holding harmless another against financial loss, or maintaining another's solvency or financial viability or (iv) any obligation under any "Credit Derivative Transaction"

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within the meaning used in the 2003 ISDA Credit Derivative Definitions published by ISDA; but shall exclude endorsements on notes, bills and cheques presented to financial institutions for collection or deposit in the ordinary course of business; and **"guaranteed"** and **"guarantees"** shall be construed in like manner;

(v) **"include", "includes"** and **"including"** shall be construed to be followed by the statement "without limitation" and none of such terms shall be construed to limit any word or statement which it follows to the specific items or matters immediately following it or similar terms or matters;

(vi) **"knowledge"** of any Person means to the best of that Person's knowledge, information and belief after reasonable enquiry;

(vii) **"losses and expenses"** shall be construed as losses, costs, expenses, damages, penalties, Awards, Orders, claims, claims over, demands and liabilities, including any applicable court costs and legal fees and disbursements on a full indemnity basis, and **"loss and expense"** shall be construed in like manner;

(viii) **"obligations"** shall be construed as indebtedness, obligations, promises, covenants, duties and liabilities (actual or contingent, direct or indirect, matured or unmatured, now existing or arising hereafter), whether arising by agreement or statute, at law, in equity or otherwise, and **"obliged", "obligation"** and **"obligated"** shall be construed in like manner;

(ix) **"receiver"** shall be construed to include a privately appointed or court appointed receiver or receiver and manager, interim receiver, liquidator, trustee-in-bankruptcy, administrator, administrative receiver and any other like or similar official;

(x) **"rights"** shall be construed as rights, titles, benefits, interests, powers, authorities, discretions, privileges, immunities and remedies (actual or contingent, direct or indirect, matured or unmatured, now existing or arising hereafter), whether arising by agreement or statute, at law, in equity or otherwise; and **"right"** shall be construed in like manner;

(xi) **"set-off'** means any right or obligation of set-off, compensation, offset, combination of accounts, netting, retention, withholding, reduction, deduction, counter-claim or any similar right or obligation, or (as the context requires) any exercise of any such right or performance of such obligation; and

(xii) **"successor"** of a Person (the **"relevant party")** shall be construed so as to include (i) any amalgamated or other body corporate of

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which the relevant party or any of its successors is one of the amalgamating or merging body corporates, (ii) any body corporate resulting from any court approved arrangement of which the relevant party or any of its successors is party, (iii) any Person to whom all or substantially all the Business Assets of the relevant party is transferred, (iv) any body corporate resulting from the continuance of the relevant party or any successor of it under the laws of another jurisdiction of incorporation and (v) any successor (determined as aforesaid or in any similar or comparable procedure under the laws of any other jurisdiction) of any Person referred to in clause (i), (ii), (iii) or (iv) of this definition. Each reference in this Convertible Loan Note to any party hereto or any other Person shall (where the context so admits) include its successors.

14. GOVERNING LAW

This Convertible Loan Note and all agreements, documents and instruments ancillary hereto shall be governed by and interpreted in accordance with the laws of Western Australia without regard to any conflicts of law principles. Each of the parties hereto irrevocably submits to the non-exclusive jurisdiction of the courts of Western Australia for any action, suit or any other proceeding arising out of or relating to this Convertible Loan Note and any agreement, document or instrument ancillary hereto or mentioned herein or any of the transactions contemplated hereby or thereby.

IN WITNESS WHEREOF Galaxy Resources Limited has caused this Convertible Loan Note to be signed this <*> day of <*>, 2012.

GALAXY RESOURCES LIMITED

By: _____
Name:
Title:

By: _____
Name:
Title:

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SCHEDULE 2(a)

FORM OF EXCHANGE NOTICE
(Section 2(a))

TO: GALAXY RESOURCES LIMITED

The undersigned, registered holder of the within Convertible Loan Note, hereby irrevocably elects to exchange the present Convertible Loan Note and accrued interest thereon for Units of the Company in accordance with the terms and conditions of the present Convertible Loan Note and directs that the Units of the Company issuable and deliverable upon exchange be issued and delivered to the person indicated below.

Dated: _____

_____
(Signature of registered holder)

(If Units of the Company are transferable in compliance with all applicable laws and are to be transferred and issued to a person other than the registered holder, a form of transfer substantially in the form of the accompanying Form of Transfer must be completed and the registered holder's signature must be guaranteed by a chartered bank, by a trust company, or by a member firm of a recognized stock exchange.)

Name: _____
(Print name in which Units transferable upon Exchange are to be transferred, delivered and registered)
(Address)

_____

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SCHEDULE 2

FORM OF TRANSFER

(Article 10)

FOR VALUE RECEIVED the undersigned sells, assigns and transfers unto

_____
(Please print name and address of transferee)
_____
_____
_____
_____
_____
_____

the present Convertible Loan Note and all other amount payable in respect thereof, and hereby irrevocably constitutes and appoints _____, attorney, to transfer the said Convertible Loan Note on the register for the Convertible Loan Note of the within mentioned Company, with full payment of substitution in the premises.

Dated: _____

_____
(Signature of transferor)

(The signature of the transferor of the Convertible Loan Note authorizing this transfer must be guaranteed by a chartered bank, by a trust company or by a member firm of a recognized stock exchange.)

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AMENDING AGREEMENT

THIS AGREEMENT is made this 4 day of May, 2012.

BETWEEN:

Lithium One Inc., a corporation incorporated under the laws of Ontario,

("Target")

OF THE FIRST PART

– and –

Galaxy Lithium One Inc., a corporation incorporated under the laws of Quebec,

("Canco")

OF THE SECOND PART

– and –

Galaxy Resources Limited, a corporation incorporated under the laws of Australia,

("Acquireco")

OF THE THIRD PART

WHEREAS:

A. On March 29, 2012, Target, Canco and Acquireco entered into an arrangement agreement with respect to a business combination by way of plan of arrangement (the **"Arrangement Agreement"**); and

B. the parties wish to amend certain terms of the plan of arrangement as appended as Schedule B to the Arrangement Agreement (the **"Plan of Arrangement"**).

NOW THEREFORE THIS AMENDING AGREEMENT WITNESSES that, for good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged by each of the parties hereto), the parties agree as follows:

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1. The defined term "Target Stock Options" in section 1.1 of the Plan of Arrangement is hereby deleted in its entirety and replaced with the following:

> "**Target Options**" means options to purchase Target Shares issued pursuant to Target's amended and restated stock option plan effective August 25, 2010, as amended.

2. The definition of the term "Target Optionholders" in section 1.1 of the Plan of Arrangement is hereby deleted in its entirety and replaced with the following:

> "**Target Optionholders**" means the holders at the relevant time of Target Options.

3. Section 2.2(a) of the Plan of Arrangement is hereby deleted in its entirety and replaced with the following:

> (a) At the Effective Time, each of the "in the money" Target Options shall be exchanged for that number of Acquireco Shares per Target Option equal to the product determined by multiplying 1.96 by the quotient of (a) the positive difference between $1.55 and the exercise price of such Target Option divided by (b) $1.55; provided, however, that if the aggregate number of Acquireco Shares that would otherwise be required to be issued to a Target Optionholder as consideration for such Target Optionholder's Target Options would result in a fraction of an Acquireco Share being issued, the number of Acquireco Shares to be received by such Target Optionholder will be rounded up.

4. Section 2.2(g) of the Plan of Arrangement is hereby deleted in its entirety and replaced with the following:

> (g) Five minutes after the Effective Time, Target shall pay to the holders of the Target Convertible Notes all interest accrued on the Target Convertible Notes to and including the Effective Date and immediately thereafter each Target Convertible Note shall be exchanged for an Acquireco Convertible Note; and

5. All other terms and conditions of the Plan of Arrangement shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, each of the parties hereto has executed this agreement as of the date first written above.

LITHIUM ONE INC.

By: _____
Name: MARTIN ROWLEY
Title: CHAIRMAN

GALAXY RESOURCES LIMITED

By: _____
Name:
Title:

By: _____
Name:
Title:

GALAXY LITHIUM ONE INC.

By: _____
Name:
Title:

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IN WITNESS WHEREOF, each of the parties hereto has executed this agreement as of the date first written above.

LITHIUM ONE INC.

By: _____
Name:
Title:

GALAXY RESOURCES LIMITED

By: _____
Name: Iggy Tan
Title: Director

By: _____
Name: Andrew Metcalfe
Title: Secretary

GALAXY LITHIUM ONE INC.

By: _____
Name: Iggy Tan
Title: Director

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APPENDIX F
NOTICE OF APPLICATION FOR FINAL ORDER

PLEASE NOTE THAT THE DATE OF THE APPLICATION BY LITHIUM ONE INC. RELATING TO THE ARRANGEMENT REFERRED TO IN THE ATTACHED NOTICE OF APPLICATION HAS BEEN MOVED TO A DIFFERENT DATE. YOU ARE HEREBY NOTIFIED THAT THE HEARING BEFORE THE ONTARIO SUPERIRO COURT OF JUSTICE (COMMERCIAL LIST) FOR THE APPLICATION WILL BE ON JUNE 26, 2012 AT 10:00 A.M. (TORONTO TIME) AT 330 UNIVERSITY AVENUE, TORONTO, ONTARIO.

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CV-12-9711-00CL

Court File No:

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF *BUSINESS CORPORATIONS ACT (ONTARIO)*, R.S.O. 1990, CHAP. B.16, SECTION 182, AS AMENDED

AND IN THE MATTER OF AN APPLICATION BY LITHIUM ONE INC. RELATING TO A PROPOSED ARRANGEMENT INVOLVING LITHIUM ONE INC., GALAXY RESOURCES LIMITED AND GALAXY LITHIUM ONE INC.

SUPERIOR COURT OF JUSTICE
COUR SUPÉRIEURE DE JUSTICE
JUSTICIA

NOTICE OF APPLICATION

TO THE RESPONDENTS:

A PROCEEDING HAS BEEN COMMENCED by the applicant. The claim made by the applicant appears on the following page.

THIS APPLICATION will come on for a hearing on June 13, 2012 at 10:00 a.m., at Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the applicant's lawyer, or where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least 2 days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES,

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LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

DATE: May 2, 2012

Issued by: _____
(Registry Officer)

A. Anissimova
Registrar

Address of local office:

330 University Avenue
7th Floor
Toronto, Ontario
M5G 1R7

TO: All Holders of Common Shares in the capital of Lithium One Inc.

AND TO: All Holders of Options to Purchase Common Shares in the capital of Lithium One Inc.

AND TO: All Holders of Convertible Notes issued by Lithium One Inc.

AND TO: All Directors of Lithium One Inc.

AND TO: The Auditor for Lithium One Inc.

AND TO: FASKEN MARTINEAU DUMOULIN LLP
333 Bay Street, Suite 2400
Bay Adelaide Centre, Box 20
Toronto, ON M5H 2T6

Christine P. Tabbert
Tel: (416) 865-4465
Fax: (416) 364-7813

Lawyers for Galaxy Resources Limited and
Galaxy Lithium One Inc.

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APPLICATION

1. The Applicant Lithium One Inc. ("Lithium One") makes application for:

(a) an order pursuant to section 182 of the Ontario *Business Corporations Act*, R.S.O. 1990, c. B.16, as amended (the "OBCA") approving a Plan of Arrangement (the "Arrangement") proposed by the Applicant and described in the Lithium One Management Information Circular (the "Circular") which Circular will be attached as an exhibit to the affidavit to be filed in support of this Application, and which will result in, among other things, the acquisition of all of the outstanding shares in the capital of Lithium One (the "Shares") by Galaxy Lithium One Inc. ("Canco"), a wholly-owned subsidiary of Galaxy Resources Limited ("Galaxy");

(b) an interim order for the advice and directions of this Court pursuant to subsection 182(5) of the OBCA with respect to the Arrangement and this Application (the "Interim Order");

(c) an order abridging the time for the service and filing or dispensing with service of the Notice of Application and Application Record, if necessary; and

(d) such further and other relief as this Court may deem just.

2. The grounds for the Application are:

(a) Lithium One is a Canadian-based resource company whose focus is to explore and develop lithium mineral deposits throughout the world. Lithium One is incorporated pursuant to the provisions of the OBCA. The Shares are listed and traded on the TSX Venture Exchange under the symbol "LI";

(b) Galaxy is an Australian-based integrated lithium mining, chemicals and battery company incorporated and registered in Western Australia and listed on the Australian Securities Exchange under the symbol "GXY";

(c) the Arrangement is an "arrangement" within the meaning of subsection 182(1) of the OBCA;

(d) all statutory requirements for an arrangement under the OBCA either have been fulfilled or will be fulfilled by the date of the return of this Application;

(e) the directions set out and the approvals required pursuant to any Interim Order this court may grant have been followed and obtained, or will be followed and obtained by the return date of this Application;

(f) the Arrangement is put forward in good faith;

(g) the Arrangement is fair and reasonable and it is appropriate for this Court to approve the Arrangement;

(h) section 182 of the OBCA;

(i) rules 3.02(1), 14.05(2), 17.02, 37 and 38 of the *Rules of Civil Procedure*; and

(j) such further and other grounds as counsel may advise and this Court may permit.

3. The following documentary evidence will be used at the hearing of the Application:

(a) such Interim Order as may be granted by this Court;

(b) the affidavit of a representative of Lithium One, to be sworn, and the exhibits thereto;

(c) such further affidavit(s) on behalf of Lithium One, reporting as to the compliance with any Interim Order of this Court and as to the result of any meetings ordered by any Interim Order of this Court; and

(d) such further and other material as counsel may advise and this Court may permit.

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4. The Notice of Application will be sent to all registered holders of the Shares, as well as to such holders of options to purchase Shares and to holders of convertible notes who otherwise will not receive a copy of the Notice of Application as a registered holder of Shares, at the address of each holder as shown on the books and records of Lithium One as at the close of business on May 8, 2012, or as this Court may direct in the Interim Order, pursuant to rules 17.02(n) and 17.02(o) of the *Rules of Civil Procedure* in the case of those holders whose addresses, as they appear on the books and records of Lithium One, are outside Ontario.

DATE: May 2, 2012

BLAKE, CASSELS & GRAYDON LLP
Barristers & Solicitors
Box 25, Commerce Court West
Toronto, Ontario M5L 1A9

R.S.M. Woods LSUC#: 30169I
Tel: (416) 863-3876

Ryan A. Morris LSUC#: 50831C
Tel: (416) 863-2176
Fax: (416) 863-2653

Lawyers for the Applicant,
Lithium One Inc.

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CV-12-9711-00CL

Court File No:

IN THE MATTER OF *BUSINESS CORPORATIONS ACT (ONTARIO)*, R.S.O. 1990, CHAP. B.16, SECTION 182, AS AMENDED

AND IN THE MATTER OF AN APPLICATION BY LITHIUM ONE INC. RELATING TO A PROPOSED ARRANGEMENT INVOLVING LITHIUM ONE INC., GALAXY RESOURCES LIMITED AND GALAXY LITHIUM ONE INC.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding Commenced at Toronto

NOTICE OF APPLICATION

BLAKE, CASSELS & GRAYDON LLP
Barristers and Solicitors
Box 25, Commerce Court West
Toronto, Ontario
M5L 1A9

R.S.M. Woods LSUC#: 30169I
Tel: (416) 863-3876

Ryan A. Morris LSUC#: 50831C
Tel: (416) 863-2176
Fax: (416) 863-2653

Lawyers for the Applicant,
Lithium One Inc.

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APPENDIX G
INTERIM ORDER

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Court File No. CV-12-9711-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE	)	WEDNESDAY, THE 9TH
	)	
MR. JUSTICE CUMMING	)	DAY OF MAY, 2012

IN THE MATTER OF *BUSINESS CORPORATIONS ACT (ONTARIO)*, R.S.O. 1990, CHAP. B.16, SECTION 182, AS AMENDED

AND IN THE MATTER OF AN APPLICATION BY LITHIUM ONE INC. RELATING TO A PROPOSED ARRANGEMENT INVOLVING LITHIUM ONE INC., GALAXY RESOURCES LIMITED AND GALAXY LITHIUM ONE INC.

INTERIM ORDER

THIS MOTION, made by the Applicant, Lithium One Inc. ("Lithium"), for an interim order for advice and directions pursuant to section 182 of the *Business Corporations Act (Ontario)*, R.S.O. 1990, c. B.16, as amended (the "OBCA"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion, the Notice of Application issued on May 2, 2012, and the affidavit of Paul Matysek sworn May 6, 2012 (the "Affidavit"), including the Plan of Arrangement, which is attached as Appendix "E" to the draft Lithium One Management Information Circular (the "Circular"), which is attached as Exhibit "A" to the Affidavit, and on hearing the submissions of the lawyers for Lithium One, Galaxy Resources Limited ("Galaxy") and Galaxy Lithium One Inc. ("Canco"),

Definitions

1. THIS COURT ORDERS that all definitions used in this Interim Order shall have the meaning ascribed thereto in the Circular or otherwise as specifically defined herein.

The Meeting

2. THIS COURT ORDERS that Lithium One is permitted to call, hold and conduct a special meeting (the "Meeting") of the holders of common shares (the "Shares") in the capital of Lithium One, holders of options to acquire Shares (the "Options") and holders of convertible notes issued by Lithium One (the "Notes"), to be held at the offices of Blake, Cassels & Graydon LLP, Suite 2600, 595 Burrard Street, Vancouver, British Columbia, on June 18, 2012 at 10:00 a.m. (Vancouver time) in order for the Shareholders, Optionholders and Noteholders to consider and, if determined advisable, pass a special resolution authorizing, adopting, approving, with or without variation, the Arrangement and the Plan of Arrangement (collectively, the "Arrangement Resolution").

3. THIS COURT ORDERS that the Meeting shall be called, held and conducted in accordance with the OBCA, the notice of meeting of Shareholders, Optionholders and Noteholders, which accompanies the Circular (the "Notice of Meeting") and the articles and by-laws of Lithium One, subject to what may be provided hereafter and subject to further order of this Court.

4. THIS COURT ORDERS that the record date (the "Record Date") for determination of the Shareholders, Optionholders and Noteholders entitled to notice of, and to vote at, the Meeting shall be May 8, 2012.

5. THIS COURT ORDERS that the only persons entitled to attend or speak at the Meeting shall be:

(a) the Shareholders, Optionholders or Noteholders, or their respective proxyholders;

(b) the officers, directors, auditors and advisors of Lithium One;

(c) representatives and advisors of Galaxy and Canco; and

(d) other persons who may receive the permission of the Chair of the Meeting.

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6. THIS COURT ORDERS that Lithium One may transact such other business at the Meeting as is contemplated in the Circular, or as may otherwise properly be before the Meeting.

Quorum

7. THIS COURT ORDERS that the Chair of the Meeting shall be determined by Lithium One and that the quorum at the Meeting shall be two persons present in person, each being a shareholder entitled to vote thereat, or a duly appointed proxyholder or representative for a shareholder so entitled, irrespective of the number of shares held by such persons.

Amendments to the Arrangement and Plan of Arrangement

8. THIS COURT ORDERS that Lithium One is authorized to make, subject to the terms of the Arrangement Agreement, and paragraph 9, below, such amendments, modifications or supplements to the Arrangement and the Plan of Arrangement as it may determine without any additional notice to the Shareholders, or others entitled to receive notice under paragraphs 12 and 13 hereof and the Arrangement and Plan of Arrangement, as so amended, modified or supplemented shall be the Arrangement and Plan of Arrangement to be submitted to the Shareholders at the Meeting and shall be the subject of the Arrangement Resolution. Amendments, modifications or supplements may be made following the Meeting, but shall be subject to review and, if appropriate, further direction by this Honourable Court at the hearing for the final approval or the Arrangement.

9. THIS COURT ORDERS that, if any amendments, modifications or supplements to the Arrangement or Plan of Arrangement as referred to in paragraph 8, above, would, if disclosed, reasonably be expected to affect a Shareholder's decision to vote for or against the Arrangement Resolution, notice of such amendment, modification or supplement shall be distributed, subject to further order of this Honourable Court, by press release, newspaper advertisement, prepaid ordinary mail, or by the method most reasonably practicable in the circumstances, as Lithium One may determine.

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Amendments to the Information Circular

10. THIS COURT ORDERS that Lithium One is authorized to make such amendments, revisions and/or supplements to the draft Circular as it may determine and the Circular, as so amended, revised and/or supplemented, shall be the Circular to be distributed in accordance with paragraph 12.

Adjournments and Postponements

11. THIS COURT ORDERS that Lithium One, if it deems advisable and subject to the terms of the Arrangement Agreement, is specifically authorized to adjourn or postpone the Meeting on one or more occasions, without the necessity of first convening the Meeting or first obtaining any vote of the Shareholders respecting the adjournment or postponement, and notice of any such adjournment or postponement shall be given by such method as Lithium One may determine is appropriate in the circumstances. This provision shall not limit the authority of the Chair of the Meeting in respect of adjournments and postponements.

Notice of Meeting

12. THIS COURT ORDERS that, in order to effect the notice of the Meeting, Lithium One shall send the Circular (including the Notice of Application and this Interim Order), the Notice of Meeting, the forms of proxy and the letters of transmittal, along with such amendments or additional documents as Lithium One may determine are necessary or desirable and are not inconsistent with the terms of this Interim Order (collectively, the "Meeting Materials"), to the following:

(a) the registered Shareholders, to Optionholders and to Noteholders at the close of business on the Record Date, at least twenty-one (21) days prior to the date of the Meeting, excluding the date of sending and the date of the Meeting, by one or more of the following methods:

(i) by pre-paid ordinary or first class mail at the addresses of the Shareholders, Optionholders and Noteholders as they appear on the books and records of Lithium One, or its registrar and transfer agent, at

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the close of business on the Record Date and if no address is shown therein, then the last address of the person known to the Corporate Secretary of Lithium One;

(ii) by delivery, in person or by recognized courier service or inter-office mail, to the address specified in (i), above; or

(iii) by facsimile or electronic transmission to any Shareholder, who is identified to the satisfaction of Lithium One, who requests such transmission in writing and, if required by Lithium One, who is prepared to pay the charges for such transmission;

(b) non-registered Shareholders by providing sufficient copies of the Meeting Materials to intermediaries and registered nominees in a timely manner, in accordance with National Instrument 54-101 of the Canadian Securities Administrators; and

(c) the respective directors and auditors of Lithium One by delivery in person, by recognized courier service, by pre-paid ordinary or first class mail or, with the consent of the person, by facsimile or electronic transmission, at least twenty-one (21) days prior to the date of the Meeting, excluding the date of sending and the date of the Meeting;

and that compliance with this paragraph shall constitute sufficient notice of the Meeting.

13. THIS COURT ORDERS that accidental failure or omission by Lithium One to give notice of the meeting or to distribute the Meeting Materials to any person entitled by the Interim Order to receive notice, or any failure or omission to give such notice as a result of events beyond the reasonable control of Lithium One, or the non-receipt of such notice shall, subject to further order of this Honourable Court, not constitute a breach of this Interim Order nor shall it invalidate any resolution passed or proceedings taken at the Meeting. If any such failure or omission is brought to the attention of Lithium One, it shall use its best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

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14. THIS COURT ORDERS that Lithium One is hereby authorized to make such amendments, revisions or supplements to the Meeting Materials as Lithium One may determine in accordance with the terms of the Arrangement Agreement ("Additional Information"), and that notice of such Additional Information may, subject to paragraph 9, above, be distributed by press release, newspaper advertisement, pre-paid ordinary mail, or by the method most reasonably practicable in the circumstances, as Lithium One may determine.

15. THIS COURT ORDERS that distribution of the Meeting Materials pursuant to paragraph 12 of this Interim Order shall constitute notice of the Meeting and good and sufficient service of the within Application upon persons described in paragraph 12 and that those persons are bound by any orders made on the within Application. Further, no other form of service of the Meeting Materials or any portion thereof need be made, or notice given or other material served in respect of these proceedings and/or the Meeting to such persons or to any other persons, except to the extent required by paragraph 9 above.

Solicitation and Revocation of Proxies

16. THIS COURT ORDERS that Lithium One is authorized to use the letters of transmittal and proxies substantially in the form of the drafts accompanying the Circular, with such amendments and additional information as Lithium One may determine are necessary or desirable, subject to the terms of the Arrangement Agreement. Lithium One is authorized, at its expense, to solicit proxies, directly or through its officers, directors or employees, and through such agents or representatives as they may retain for that purpose, and by mail or such other forms of personal or electronic communication as it may determine. Lithium One may waive generally, in its discretion, the time limits set out in the Circular for the deposit or revocation of proxies by Shareholders, if Lithium One deems it advisable to do so.

17. THIS COURT ORDERS that Shareholders shall be entitled to revoke their proxies in accordance with section 110(4) of the OBCA (except as the procedures of that section are varied by this paragraph) provided that any instruments in writing delivered pursuant to s. 110(4)(a) of the OBCA: (a) must be deposited at the registered office of Equity Financial Trust Company (the "Transfer Agent") as set out in the Circular; and (b) any such instruments

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must be received by the Transfer Agent at any time up to and including the last business day preceding the day of the Meeting (or any adjournment or postponement thereof).

Voting

18. THIS COURT ORDERS that the only persons entitled to vote in person or by proxy on the Arrangement Resolution, or such other business as may be properly brought before the Meeting, shall be those Shareholders, Optionholders and Noteholders who hold Shares, Options or Notes as of the close of business on the Record Date. Illegible votes, spoiled votes, defective votes and abstentions shall be deemed to be votes not cast. Proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the Arrangement Resolution.

19. THIS COURT ORDERS that votes shall be taken at the Meeting on the basis of one vote per Share or Option held, and per dollar aggregate principal amount of Notes held, and that in order for the Plan of Arrangement to be implemented, subject to further Order of this Honourable Court, the Arrangement Resolution must be passed, with or without variation, at the Meeting by:

(a) an affirmative vote of at least two-thirds ($66^{2}/_{3}\%$) of the votes cast in respect of the Arrangement Resolution at the Meeting in person or by proxy by:

(i) Shareholders voting as a single class;

(ii) Shareholders and Optionholders voting together as a single class;

(iii) Noteholders voting as a single class; and

(b) a simple majority of the votes cast in respect of the Arrangement Resolution by Shareholders present in person or by proxy and entitled to vote at the Meeting, excluding votes cast by Shareholders that are required to be excluded pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

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Such votes shall be sufficient to authorize Lithium One to do all such acts and things as may be necessary or desirable to give effect to the Arrangement and the Plan of Arrangement on a basis consistent with what is provided for in the Circular without the necessity of any further approval by the Shareholders Optionholders or Noteholders, subject only to final approval of the Arrangement by this Honourable Court.

20. THIS COURT ORDERS that in respect of matters properly brought before the Meeting pertaining to items of business affecting Lithium One (other than in respect of the Arrangement Resolution), each Shareholder is entitled to one vote for each Share held.

Dissent Rights

21. THIS COURT ORDERS that each registered Shareholder shall be entitled to exercise Dissent Rights in connection with the Arrangement Resolution in accordance with section 185 of the OBCA (except as the procedures of that section are varied by this Interim Order and the Plan of Arrangement) provided that, notwithstanding subsection 185(6) of the OBCA, any Shareholder who wishes to dissent must, as a condition precedent thereto, provide written objection to the Arrangement Resolution to Lithium One, in the form required by section 185 of the OBCA and the Arrangement Agreement, which written objection must be received by Lithium One not later than 4:30 p.m. (Toronto time) on the business day preceding the Meeting (or, if the Meeting is postponed or adjourned, the business day preceding the date of the reconvened or postponed Meeting), and must otherwise strictly comply with the requirements of the OBCA. For purposes of these proceedings, the "court" referred to in section 185 of the OBCA means this Honourable Court.

22. THIS COURT ORDERS that, notwithstanding subsection 185(4) of the OBCA, Canco, not Lithium One, shall be required to offer to pay fair value, as of the day prior to approval of the Arrangement Resolution, for common shares held by registered Shareholders who duly exercise Dissent Rights, and to pay the amount to which such registered Shareholders may be entitled pursuant to the terms of the Arrangement Agreement. In accordance with the Plan of Arrangement and the Circular, all references to the "corporation" in subsections 185(4) and 185(14) to (30), inclusive, of the OBCA (except for the second reference to "corporation" in subsection 185(15)) shall be deemed to refer to "Galaxy Lithium

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One Inc." in place of the "corporation", and Canco shall have all of the rights, duties and obligations of the "corporation" under subsections 185(14) to 185(30), inclusive, of the OBCA.

23. THIS COURT ORDERS that any registered Shareholder who duly exercises such Dissent Rights set out in paragraph 22 above and who:

(a) is ultimately determined by this Honourable Court to be entitled to be paid fair value for his, her or its Shares, shall be deemed to have transferred those Shares as of five minutes after the Effective Time, without any further act or formality and free and clear of all liens, claims, encumbrances, charges, adverse interests or security interests, to Canco for cancellation pursuant to the Plan of Arrangement in consideration of a debt claim against Canco equal to such fair value; or

(b) is for any reason ultimately determined by this Honourable Court not to be entitled to be paid fair value for his, her or its Shares pursuant to the exercise of the Dissent Right, shall be deemed to have participated in the Arrangement on the same basis and at the same time as any non-dissenting Shareholder;

but in no case shall Lithium One, Canco, or any other person be required to recognize such Shareholders as holders of common shares of Lithium One at or after the date upon which the Arrangement becomes effective and the names of such Shareholders shall be deleted from Lithium One's register of holders of common shares at that time.

Hearing of Application for Approval of the Arrangement

24. THIS COURT ORDERS that upon approval by the Shareholders, Optionholders and Noteholders of the Plan of Arrangement in the manner set forth in this Interim Order, Lithium One may apply to this Honourable Court for final approval of the Arrangement.

25. THIS COURT ORDERS that distribution of the Notice of Application and the Interim Order in the Circular, when sent in accordance with paragraph 12 shall constitute good and sufficient service of the Notice of Application and this Interim Order and no other form of

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service need be effected and no other material need be served unless a Notice of Appearance is served in accordance with paragraph 27.

26. THIS COURT ORDERS that any Notice of Appearance served in response to the Notice of Application shall be served on the solicitors for Lithium One, with a copy to lawyers for Canco, as soon as reasonably practicable, and, in any event, no less than five (5) days before the hearing of this Application at the following addresses:

BLAKE, CASSELS & GRAYDON LLP
Barristers and Solicitors
199 Bay Street, Suite 4000
Commerce Court West
Toronto, ON M5L 1A9

Attn: R.S.M. Woods and Ryan A. Morris
Lawyers for Lithium One Corporation

FASKEN MARTINEAU DUMOULIN LLP
333 Bay Street, Suite 2400
Bay Adelaide Centre, Box 20
Toronto, ON M5H 2T6

Attn: Christine P. Tabbert
Lawyers for Galaxy Resources Limited and
Galaxy Lithium One Inc. ("Canco")

27. THIS COURT ORDERS that, subject to further order of this Honourable Court, the only persons entitled to appear and be heard at the hearing of the within application shall be:

(a) Lithium One;

(b) Galaxy and Canco;

(c) any person who has filed a Notice of Appearance herein in accordance with the Notice of Application, this Interim Order and the *Rules of Civil Procedure*.

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28. THIS COURT ORDERS that any materials to be filed by Lithium One in support of the within Application for final approval of the Arrangement may be filed up to one day prior to the hearing of the Application without further order of this Honourable Court.

29. THIS COURT ORDERS that in the even the within Application for final approval does not proceed on the date set forth in the Notice of Application, and is adjourned, only those persons who served and filed a Notice of Appearance in accordance with paragraph 27 shall be entitled to be given notice of the adjourned date.

Precedence

30. THIS COURT ORDERS that, to the extent of any inconsistency or discrepancy between this Interim Order and the terms of any instrument creating, governing or collateral to the Shares, Options, Notes, or the articles or by-laws of Lithium One, this Interim Order shall govern.

Extra-Territorial Assistance

31. THIS COURT seeks and requests the aid and recognition of any court or any judicial, regulatory, or administrative body in any province of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States or other country to act in aid of and to assist this Honourable Court in carrying out the terms of this Interim Order.

Variance

32. THIS COURT ORDERS that Lithium One shall be entitled to seek leave to vary this Interim Order upon such terms and upon the giving of such notice as this Honourable Court may direct.

May 9, 2012 Peter A. Cumming J.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

MAY 0 9 2012

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Court File No: CV-12-9711-00CL

IN THE MATTER OF *BUSINESS CORPORATIONS ACT (ONTARIO)*, R.S.O. 1990, CHAP. B.16, SECTION 182, AS AMENDED

AND IN THE MATTER OF AN APPLICATION BY LITHIUM ONE CORPORATION RELATING TO A PROPOSED ARRANGEMENT INVOLVING LITHIUM ONE CORPORATION, GALAXY RESOURCES LIMITED AND GALAXY LITHIUM ONE INC.

ONTARIO
SUPERIOR COURT OF JUSTICE - COMMERCIAL LIST

Proceeding commenced at Toronto

INTERIM ORDER

BLAKE, CASSELS & GRAYDON LLP
Barristers & Solicitors
199 Bay Street, Ste. 4000
Commerce Court West
Toronto, Ontario M5L 1A9

R. S. M. Woods LSUC#: 30169I
Tel: (416) 863-3876

Ryan A. Morris LSUC#: 50831C
Tel: (416) 863-2176
Fax: (416) 863-2653

Lawyers for the Applicant,
Lithium One Corporation

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APPENDIX H
MARCH FAIRNESS OPINION



Investment & Corporate Banking
5th Floor, 1 First Canadian Place
Toronto, Ontario M5X 1H3

Tel : (416) 359-4001

March 29, 2012

The Board of Directors
Lithium One Inc.
130 Adelaide Street West, Suite 2700
Toronto, Ontario, M5H 3P5
Canada

To the Board of Directors:

BMO Nesbitt Burns Inc. ("BMO Capital Markets" or "we" or "us") understands that Lithium One Inc. (the "Company"), Galaxy Resources Limited (the "Acquiror") and Galaxy Lithium One Inc. ("Canco") propose to enter into an arrangement agreement to be dated March 29, 2012 (the "Arrangement Agreement") pursuant to which, among other things, the Acquiror and Canco will acquire all of the outstanding common shares of the Company (the "Company Common Shares") by way of an arrangement under the *Business Corporations Act* (Ontario) (the "Arrangement"). Upon completion of the Arrangement, each Company Common Share will be exchanged for (the "Exchange Ratio") the greater of (i) 1.80 common shares of the Acquiror (an "Acquiror Common Share") and (ii) that number of Acquiror Common Shares determined by dividing $1.55 by the Canadian dollar equivalent of the offering price per Acquiror Common Share under the proposed public offering of Acquiror Common Shares to be conducted by the Acquiror following the announcement of the Arrangement (the "Financing") or, at the election of a holder that is neither a non-resident of Canada nor a tax exempt shareholder, the greater of (x) 1.80 exchangeable shares in the capital of Canco (an "Exchangeable Share"), with each Exchangeable Share being exchangeable for one Acquiror Common Share and carrying equivalent voting rights, dividend entitlement and other material attributes as one Acquiror Common Share, and (y) that number of Exchangeable Shares determined by dividing $1.55 by the Canadian dollar equivalent of the offering price per Acquiror Common Share under the Financing.

The terms and conditions of the Arrangement will be summarized in the Company's management information circular (the "Circular") to be mailed to holders of the Company Common Shares (the "Shareholders") in connection with a special meeting of the Shareholders to be held to consider and, if deemed advisable, approve the Arrangement.

We have been retained to provide financial advice to the Company, including our opinion (the "Opinion") to the Board of Directors of the Company (the "Board of Directors") as to the fairness from a financial point of view of the Exchange Ratio to the Shareholders.

Engagement of BMO Capital Markets

The Company initially contacted BMO Capital Markets regarding a potential advisory assignment in April 2011. BMO Capital Markets was formally engaged by the Company pursuant to an agreement dated March 23, 2012 (the "Engagement Agreement"). Under the terms of the Engagement Agreement, BMO Capital Markets has agreed to provide the Company and the Board of Directors with various advisory services in connection with the Arrangement including, among other things, the provision of the Opinion.

BMO Capital Markets will receive a fee for rendering the Opinion. We will also receive certain fees for our advisory services under the Engagement Agreement, a substantial portion of which is contingent upon the successful

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completion of the Arrangement. The Company has also agreed to reimburse us for our reasonable out-of-pocket expenses and to indemnify us against certain liabilities that might arise out of our engagement.

Credentials of BMO Capital Markets

BMO Capital Markets is one of North America's largest investment banking firms, with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading, investment research and investment management. BMO Capital Markets has been a financial advisor in a significant number of transactions throughout North America involving public and private companies in various industry sectors and has extensive experience in preparing fairness opinions.

The Opinion represents the opinion of BMO Capital Markets, the form and content of which have been approved for release by a committee of our officers who are collectively experienced in merger and acquisition, divestiture, restructuring, valuation, fairness opinion and capital markets matters.

Independence of BMO Capital Markets

Neither BMO Capital Markets, nor any of our affiliates, is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Ontario) or the rules made thereunder) of the Company, the Acquiror, or any of their respective associates or affiliates (collectively, the "Interested Parties").

BMO Capital Markets has not been engaged to provide any financial advisory services nor has it participated in any financings involving the Interested Parties within the past two years, other than acting as financial advisor to the Company and the Board of Directors pursuant to the Engagement Agreement.

There are no understandings, agreements or commitments between BMO Capital Markets and any of the Interested Parties with respect to future business dealings. BMO Capital Markets may, in the future, in the ordinary course of business, provide financial advisory, investment banking, or other financial services to one or more of the Interested Parties from time to time.

BMO Capital Markets and certain of our affiliates act as traders and dealers, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of one or more of the Interested Parties and, from time to time, may have executed or may execute transactions on behalf of one or more Interested Parties for which BMO Capital Markets or such affiliates received or may receive compensation. As investment dealers, BMO Capital Markets and certain of our affiliates conduct research on securities and may, in the ordinary course of business, provide research reports and investment advice to clients on investment matters, including with respect to one or more of the Interested Parties or the Arrangement. In addition, Bank of Montreal ("BMO"), of which BMO Capital Markets is a wholly-owned subsidiary, or one or more affiliates of BMO, may provide banking or other financial services to one or more of the Interested Parties in the ordinary course of business.

Scope of Review

In connection with rendering the Opinion, we have reviewed and relied upon, or carried out, among other things, the following:

1. a draft of the Arrangement Agreement dated March 29, 2012;

2. certain publicly available information relating to the business, operations, financial condition and trading history of the Company, the Acquiror and other selected public companies we considered relevant;

3. certain internal financial, operating, corporate and other information prepared or provided by or on behalf of the Company relating to the business, operations and financial condition of the Company;

4. certain internal financial, operating, corporate and other information prepared or provided by or on behalf of the Acquiror relating to the business, operations and financial condition of the Acquiror;

5. internal management forecasts, projections, estimates and budgets prepared or provided by or on behalf of management of the Company;

6. internal management forecasts, projections, estimates and budgets prepared or provided by or on behalf of management of the Acquiror;

7. discussions with management of the Company relating to the current business plan, financial condition and prospects of the Company and the Acquiror;

8. discussions with management of the Company and management of the Acquiror relating to the potential gross proceeds and offering price of the Financing;

9. public information with respect to selected precedent transactions we considered relevant;

10. historical commodity prices and the impact of various commodity pricing assumptions on the business, prospects and financial forecasts of the Company and the Acquiror, respectively;

11. various reports published by equity research analysts and industry sources we considered relevant;

12. a letter of representation as to certain factual matters and the completeness and accuracy of certain information upon which the Opinion is based, addressed to us and dated as of the date hereof, provided by senior officers of the Company; and

13. such other information, investigations, analyses and discussions as we considered necessary or appropriate in the circumstances.

BMO Capital Markets has not, to the best of its knowledge, been denied access by the Company to any information under the Company's control, requested by BMO Capital Markets.

Assumptions and Limitations

We have relied upon and assumed the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions, representations and other material obtained by us from public sources or provided to us by or on behalf of the Company or otherwise obtained by us in connection with our engagement (the "Information"). The Opinion is conditional upon such completeness, accuracy and fair presentation. We have not been requested to, and have not assumed any obligation to, independently verify the completeness, accuracy or fair presentation of any such Information. We have assumed that forecasts, projections, estimates and budgets provided to us and used in our analyses were reasonably prepared on bases reflecting the best currently available assumptions, estimates and judgments of management of the Company or the Acquiror, as applicable.

Senior officers of the Company have represented to BMO Capital Markets in a letter of representation delivered as of the date hereof, among other things, that: (i) the Information provided to BMO Capital Markets orally by, or in the presence of, an officer or employee of, the Company, or in writing by the Company or any of its subsidiaries (as defined in National Instrument 45-106 *Prospectus and Registration Exemptions*) or any of its or their representatives in connection with our engagement was, at the date the Information was provided to BMO Capital Markets, and is, as of the date hereof, complete, true and correct in all material respects, and did not and does not contain a misrepresentation (as defined in the *Securities Act* (Ontario)); and (ii) since the dates on which the Information was provided to BMO Capital Markets, except as disclosed in writing to BMO Capital Markets, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company or any of its subsidiaries, and no change has occurred in the Information or any part thereof which would have or which could reasonably be expected to have a material effect on the Opinion.

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In preparing the Opinion, we have assumed that the executed Arrangement Agreement will not differ in any material respect from the draft that we reviewed, and that the Arrangement will be consummated in accordance with the terms and conditions of the Arrangement Agreement without waiver of, or amendment to, any term or condition that is in any way material to our analyses. We have also assumed that the Financing will be completed prior to completion of the Arrangement for gross proceeds of A$70 million at a price of A$0.83 per Acquiror Common Share.

The Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as of the date hereof and the condition and prospects, financial and otherwise, of the Company and the Acquiror as they are reflected in the Information and as they have been represented to BMO Capital Markets in discussions with management of the Company and its representatives. In our analyses and in preparing the Opinion, BMO Capital Markets made numerous judgments and assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond our control or that of any party involved in the Arrangement.

The Opinion is provided to the Board of Directors for its exclusive use only in considering the Arrangement and may not be used or relied upon by any other person or for any other purpose without our prior written consent. The Opinion does not constitute a recommendation as to how any Shareholder should vote or act on any matter relating to the Arrangement. Except for the inclusion of the Opinion in its entirety and a summary thereof (in a form acceptable to us) in the Circular, the Opinion is not to be reproduced, disseminated, quoted from or referred to (in whole or in part) without our prior written consent.

We have not been asked to prepare and have not prepared a formal valuation or appraisal of the securities or assets of the Company, the Acquiror, or of any of their respective affiliates, and the Opinion should not be construed as such. The Opinion is not, and should not be construed as, advice as to the price at which the securities of the Company or the Acquiror may trade at any time. BMO Capital Markets was not engaged to review any legal, tax or regulatory aspects of the Arrangement and the Opinion does not address any such matters. We have relied upon, without independent verification, the assessment by the Company and its legal advisors with respect to such matters. In addition, the Opinion does not address the relative merits of the Arrangement as compared to any strategic alternatives that may be available to the Company.

The Opinion is rendered as of the date hereof and BMO Capital Markets disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Opinion which may come or be brought to the attention of BMO Capital Markets after the date hereof. Without limiting the foregoing, if we learn that any of the information or assumptions we relied upon in preparing the Opinion was inaccurate, incomplete or misleading in any material respect, BMO Capital Markets reserves the right to change or withdraw the Opinion.

Conclusion

Based upon and subject to the foregoing, BMO Capital Markets is of the opinion that, as of the date hereof, the Exchange Ratio is fair, from a financial point of view, to the Shareholders.

Yours truly,



BMO Nesbitt Burns Inc.

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APPENDIX I
APRIL FAIRNESS OPINION

April 18, 2012

The Board of Directors
Lithium One Inc.
130 Adelaide Street West, Suite 2700
Toronto, Ontario, M5H 3P5
Canada

To the Board of Directors:

BMO Nesbitt Burns Inc. ("BMO Capital Markets" or "we" or "us") understands that Lithium One Inc. (the "Company"), Galaxy Resources Limited (the "Acquiror") and Galaxy Lithium One Inc. ("Canco") entered into an arrangement agreement dated March 29, 2012 (the "Arrangement Agreement") pursuant to which, among other things, the Acquiror and Canco will acquire all of the outstanding common shares of the Company (the "Company Common Shares") by way of an arrangement under the *Business Corporations Act* (Ontario) (the "Arrangement"). The Arrangement Agreement provides that upon completion of the Arrangement, each Company Common Share will be exchanged for the greater of (i) 1.80 common shares of the Acquiror (an "Acquiror Common Share") and (ii) that number of Acquiror Common Shares determined by dividing C$1.55 by the Canadian dollar equivalent of the offering price per Acquiror Common Share under the public offering of Acquiror Common Shares to be conducted by the Acquiror following the announcement of the Arrangement (the "Financing") or, at the election of a holder that is neither a non-resident of Canada nor a tax exempt shareholder, the greater of (x) 1.80 exchangeable shares in the capital of Canco (the "Exchangeable Shares"), with each Exchangeable Share being exchangeable for one Acquiror Common Share and carrying equivalent voting rights, dividend entitlement and other material attributes as one Acquiror Common Share, and (y) that number of Exchangeable Shares determined by dividing C$1.55 by the Canadian dollar equivalent of the offering price per Acquiror Common Share under the Financing. On April 12, 2012, the Financing was completed at a price of A$0.77 per Acquiror Common Share for gross proceeds of approximatelyA$30 million. As a result, each Company Common Share will be exchanged for either 1.96 Acquiror Common Shares or 1.96 Exchangeable Shares, as applicable (the "Exchange Ratio").

The terms and conditions of the Arrangement will be summarized in the Company's management information circular (the "Circular") to be mailed to holders of the Company Common Shares (the "Shareholders") in connection with a special meeting of the Shareholders to be held to consider and, if deemed advisable, approve the Arrangement.

We have been retained to provide financial advice to the Company, including our opinion (the "Opinion") to the Board of Directors of the Company (the "Board of Directors") as to the fairness of the Exchange Ratio from a financial point of view to the Shareholders.

Engagement of BMO Capital Markets

The Company initially contacted BMO Capital Markets regarding a potential advisory assignment in April 2011. BMO Capital Markets was formally engaged by the Company pursuant to an agreement dated March 23, 2012 (the "Engagement Agreement"). Under the terms of the Engagement Agreement, BMO Capital Markets has agreed to provide the Company and the Board of Directors with various advisory services in connection with the Arrangement including, among other things, the provision of the Opinion.

BMO Capital Markets will receive a fee for rendering the Opinion. We will also receive certain fees for our advisory services under the Engagement Agreement, a substantial portion of which is contingent upon the successful completion of the Arrangement. The Company has also agreed to reimburse us for our reasonable out-of-pocket expenses and to indemnify us against certain liabilities that might arise out of our engagement.

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Credentials of BMO Capital Markets

BMO Capital Markets is one of North America's largest investment banking firms, with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading, investment research and investment management. BMO Capital Markets has been a financial advisor in a significant number of transactions throughout North America involving public and private companies in various industry sectors and has extensive experience in preparing fairness opinions.

The Opinion represents the opinion of BMO Capital Markets, the form and content of which have been approved for release by a committee of our officers who are collectively experienced in merger and acquisition, divestiture, restructuring, valuation, fairness opinion and capital markets matters.

Independence of BMO Capital Markets

Neither BMO Capital Markets, nor any of our affiliates, is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Ontario) or the rules made thereunder) of the Company, the Acquiror, or any of their respective associates or affiliates (collectively, the "Interested Parties").

BMO Capital Markets has not been engaged to provide any financial advisory services nor has it participated in any financings involving the Interested Parties within the past two years, other than acting as financial advisor to the Company and the Board of Directors pursuant to the Engagement Agreement.

There are no understandings, agreements or commitments between BMO Capital Markets and any of the Interested Parties with respect to future business dealings. BMO Capital Markets may, in the future, in the ordinary course of business, provide financial advisory, investment banking, or other financial services to one or more of the Interested Parties from time to time.

BMO Capital Markets and certain of our affiliates act as traders and dealers, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of one or more of the Interested Parties and, from time to time, may have executed or may execute transactions on behalf of one or more Interested Parties for which BMO Capital Markets or such affiliates received or may receive compensation. As investment dealers, BMO Capital Markets and certain of our affiliates conduct research on securities and may, in the ordinary course of business, provide research reports and investment advice to clients on investment matters, including with respect to one or more of the Interested Parties or the Arrangement. In addition, Bank of Montreal ("BMO"), of which BMO Capital Markets is a wholly-owned subsidiary, or one or more affiliates of BMO, may provide banking or other financial services to one or more of the Interested Parties in the ordinary course of business.

Scope of Review

In connection with rendering the Opinion, we have reviewed and relied upon, or carried out, among other things, the following:

1. the executed Arrangement Agreement dated March 29, 2012;

2. certain publicly available information relating to the business, operations, financial condition and trading history of the Company, the Acquiror and other selected public companies we considered relevant;

3. certain internal financial, operating, corporate and other information prepared or provided by or on behalf of the Company relating to the business, operations and financial condition of the Company;

4. certain internal financial, operating, corporate and other information prepared or provided by or on behalf of the Acquiror relating to the business, operations and financial condition of the Acquiror;

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5. internal management forecasts, projections, estimates and budgets prepared or provided by or on behalf of management of the Company;

6. internal management forecasts, projections, estimates and budgets prepared or provided by or on behalf of management of the Acquiror;

7. discussions with management of the Company relating to the current business plan, financial condition and prospects of the Company and the Acquiror;

8. public information with respect to selected precedent transactions we considered relevant;

9. historical commodity prices and the impact of various commodity pricing assumptions on the business, prospects and financial forecasts of the Company and the Acquiror, respectively;

10. various reports published by equity research analysts and industry sources we considered relevant;

11. a letter of representation as to certain factual matters and the completeness and accuracy of certain information upon which the Opinion is based, addressed to us and dated as of the date hereof, provided by senior officers of the Company; and

12. such other information, investigations, analyses and discussions as we considered necessary or appropriate in the circumstances.

BMO Capital Markets has not, to the best of its knowledge, been denied access by the Company to any information under the Company's control, requested by BMO Capital Markets.

Assumptions and Limitations

We have relied upon and assumed the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions, representations and other material obtained by us from public sources or provided to us by or on behalf of the Company or the Acquiror or otherwise obtained by us in connection with our engagement (the "Information"). The Opinion is conditional upon such completeness, accuracy and fair presentation. We have not been requested to, and have not assumed any obligation to, independently verify the completeness, accuracy or fair presentation of any such Information. We have assumed that forecasts, projections, estimates and budgets provided to us and used in our analyses were reasonably prepared on bases reflecting the best currently available assumptions, estimates and judgments of management of the Company or the Acquiror, as applicable.

Senior officers of the Company have represented to BMO Capital Markets in a letter of representation delivered as of the date hereof, among other things, that: (i) the Information provided to BMO Capital Markets orally by, or in the presence of, an officer or employee of, the Company, or in writing by the Company or any of its subsidiaries (as defined in National Instrument 45-106 *Prospectus and Registration Exemptions*) or any of its or their representatives in connection with our engagement was, at the date such Information was provided to BMO Capital Markets, and is, as of the date hereof, complete, true and correct in all material respects, and did not and does not contain a misrepresentation (as defined in the *Securities Act* (Ontario)); and (ii) since the dates on which such Information was provided to BMO Capital Markets, except as disclosed in writing to BMO Capital Markets, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company or any of its subsidiaries, and no change has occurred in the Information or any part thereof which would have or which could reasonably be expected to have a material effect on the Opinion.

In preparing the Opinion, we have assumed that the Arrangement will be consummated in accordance with the terms and conditions of the Arrangement Agreement without waiver of, or amendment to, any term or condition that is in any way material to our analyses.

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The Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as of the date hereof and the condition and prospects, financial and otherwise, of the Company and the Acquiror as they are reflected in the Information and as they have been represented to BMO Capital Markets in discussions with management of the Company and its representatives. In our analyses and in preparing the Opinion, BMO Capital Markets made numerous judgments and assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond our control or that of any party involved in the Arrangement.

The Opinion is provided to the Board of Directors for its exclusive use only in considering the Arrangement and may not be used or relied upon by any other person or for any other purpose without our prior written consent. The Opinion does not constitute a recommendation as to how any Shareholder should vote or act on any matter relating to the Arrangement. Except for the inclusion of the Opinion in its entirety and a summary thereof (in a form acceptable to us) in the Circular, the Opinion is not to be reproduced, disseminated, quoted from or referred to (in whole or in part) without our prior written consent.

We have not been asked to prepare and have not prepared a formal valuation or appraisal of the securities or assets of the Company, the Acquiror, or of any of their respective affiliates, and the Opinion should not be construed as such. The Opinion is not, and should not be construed as, advice as to the price at which the securities of the Company or the Acquiror may trade at any time. BMO Capital Markets was not engaged to review any legal, tax or regulatory aspects of the Arrangement and the Opinion does not address any such matters. We have relied upon, without independent verification, the assessment by the Company and its legal advisors with respect to such matters. In addition, the Opinion does not address the relative merits of the Arrangement as compared to any strategic alternatives that may be available to the Company.

The Opinion is rendered as of the date hereof and BMO Capital Markets disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Opinion which may come or be brought to the attention of BMO Capital Markets after the date hereof. Without limiting the foregoing, if we learn that any of the information or assumptions we relied upon in preparing the Opinion was inaccurate, incomplete or misleading in any material respect, BMO Capital Markets reserves the right to change or withdraw the Opinion.

Conclusion

Based upon and subject to the foregoing, BMO Capital Markets is of the opinion that, as of the date hereof, the Exchange Ratio is fair from a financial point of view to the Shareholders.

Yours truly,

BMO Nesbitt Burns Inc.

BMO Nesbitt Burns Inc.

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APPENDIX J
SECTION 185 OF THE OBCA

DISSENT RIGHTS

Rights of dissenting shareholders

(1) Subject to subsection (3) and to sections 186 and 248, if a corporation resolves to,

(a) amend its articles under section 168 to add, remove or change restrictions on the issue, transfer or ownership of shares of a class or series of the shares of the corporation;

(b) amend its articles under section 168 to add, remove or change any restriction upon the business or businesses that the corporation may carry on or upon the powers that the corporation may exercise;

(c) amalgamate with another corporation under sections 175 and 176;

(d) be continued under the laws of another jurisdiction under section 181; or

(e) sell, lease or exchange all or substantially all its property under subsection 184 (3),

a holder of shares of any class or series entitled to vote on the resolution may dissent.

R.S.O. 1990, c. B.16, s. 185 (1).

Idem

(2) If a corporation resolves to amend its articles in a manner referred to in subsection 170 (1), a holder of shares of any class or series entitled to vote on the amendment under section 168 or 170 may dissent, except in respect of an amendment referred to in,

(a) clause 170 (1) (a), (b) or (e) where the articles provide that the holders of shares of such class or series are not entitled to dissent; or

(b) subsection 170 (5) or (6).

R.S.O. 1990, c. B.16, s. 185 (2).

One class of shares

(2.1) The right to dissent described in subsection (2) applies even if there is only one class of shares.

2006, c. 34, Sched. B, s. 53.

Exception

(3) A shareholder of a corporation incorporated before the 29th day of July, 1983 is not entitled to dissent under this section in respect of an amendment of the articles of the corporation to the extent that the amendment,

(a) amends the express terms of any provision of the articles of the corporation to conform to the terms of the provision as deemed to be amended by section 277; or

(b) deletes from the articles of the corporation all of the objects of the corporation set out in its articles, provided that the deletion is made by the 29th day of July, 1986.

R.S.O. 1990, c. B.16, s. 185 (3).

Shareholder's right to be paid fair value

(4) In addition to any other right the shareholder may have, but subject to subsection (30), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents becomes effective, to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted.

R.S.O. 1990, c. B.16, s. 185 (4).

No partial dissent

(5) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the dissenting shareholder on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

R.S.O. 1990, c. B.16, s. 185 (5).

Objection

(6) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting or of the shareholder's right to dissent.

R.S.O. 1990, c. B.16, s. 185 (6).

Idem

(7) The execution or exercise of a proxy does not constitute a written objection for purposes of subsection (6).

R.S.O. 1990, c. B.16, s. 185 (7).

Notice of adoption of resolution

(8) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (6) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn the objection.

R.S.O. 1990, c. B.16, s. 185 (8).

Idem

(9) A notice sent under subsection (8) shall set out the rights of the dissenting shareholder and the procedures to be followed to exercise those rights.

R.S.O. 1990, c. B.16, s. 185 (9).

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Demand for payment of fair value

(10) A dissenting shareholder entitled to receive notice under subsection (8) shall, within twenty days after receiving such notice, or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing,

(a) the shareholder's name and address;

(b) the number and class of shares in respect of which the shareholder dissents; and

(c) a demand for payment of the fair value of such shares.

R.S.O. 1990, c. B.16, s. 185 (10).

Certificates to be sent in

(11) Not later than the thirtieth day after the sending of a notice under subsection (10), a dissenting shareholder shall send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

R.S.O. 1990, c. B.16, s. 185 (11).

Idem

(12) A dissenting shareholder who fails to comply with subsections (6), (10) and (11) has no right to make a claim under this section.

R.S.O. 1990, c. B.16, s. 185 (12).

Endorsement on certificate

(13) A corporation or its transfer agent shall endorse on any share certificate received under subsection (11) a notice that the holder is a dissenting shareholder under this section and shall return forthwith the share certificates to the dissenting shareholder.

R.S.O. 1990, c. B.16, s. 185 (13).

Rights of dissenting shareholder

(14) On sending a notice under subsection (10), a dissenting shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shares as determined under this section except where,

(a) the dissenting shareholder withdraws notice before the corporation makes an offer under subsection (15);

(b) the corporation fails to make an offer in accordance with subsection (15) and the dissenting shareholder withdraws notice; or

(c) the directors revoke a resolution to amend the articles under subsection 168 (3), terminate an amalgamation agreement under subsection 176 (5) or an application for continuance under subsection 181 (5), or abandon a sale, lease or exchange under subsection 184 (8),

in which case the dissenting shareholder's rights are reinstated as of the date the dissenting shareholder sent the notice referred to in subsection (10), and the dissenting shareholder is entitled, upon presentation and surrender to the corporation or its transfer agent of any certificate representing the shares that has been

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endorsed in accordance with subsection (13), to be issued a new certificate representing the same number of shares as the certificate so presented, without payment of any fee.

R.S.O. 1990, c. B.16, s. 185 (14).

Offer to pay

(15) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (10), send to each dissenting shareholder who has sent such notice,

(a) a written offer to pay for the dissenting shareholder's shares in an amount considered by the directors of the corporation to be the fair value thereof, accompanied by a statement showing how the fair value was determined; or

(b) if subsection (30) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

R.S.O. 1990, c. B.16, s. 185 (15).

Idem

(16) Every offer made under subsection (15) for shares of the same class or series shall be on the same terms.

R.S.O. 1990, c. B.16, s. 185 (16).

Idem

(17) Subject to subsection (30), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (15) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

R.S.O. 1990, c. B.16, s. 185 (17).

Application to court to fix fair value

(18) Where a corporation fails to make an offer under subsection (15) or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as the court may allow, apply to the court to fix a fair value for the shares of any dissenting shareholder.

R.S.O. 1990, c. B.16, s. 185 (18).

Idem

(19) If a corporation fails to apply to the court under subsection (18), a dissenting shareholder may apply to the court for the same purpose within a further period of twenty days or within such further period as the court may allow.

R.S.O. 1990, c. B.16, s. 185 (19).

Idem

(20) A dissenting shareholder is not required to give security for costs in an application made under subsection (18) or (19).

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R.S.O. 1990, c. B.16, s. 185 (20).

Costs

(21) If a corporation fails to comply with subsection (15), then the costs of a shareholder application under subsection (19) are to be borne by the corporation unless the court otherwise orders.

R.S.O. 1990, c. B.16, s.185 (21).

Notice to shareholders

(22) Before making application to the court under subsection (18) or not later than seven days after receiving notice of an application to the court under subsection (19), as the case may be, a corporation shall give notice to each dissenting shareholder who, at the date upon which the notice is given,

(a) has sent to the corporation the notice referred to in subsection (10); and

(b) has not accepted an offer made by the corporation under subsection (15), if such an offer was made,

of the date, place and consequences of the application and of the dissenting shareholder's right to appear and be heard in person or by counsel, and a similar notice shall be given to each dissenting shareholder who, after the date of such first mentioned notice and before termination of the proceedings commenced by the application, satisfies the conditions set out in clauses (a) and (b) within three days after the dissenting shareholder satisfies such conditions.

R.S.O. 1990, c. B.16, s. 185 (22).

Parties joined

(23) All dissenting shareholders who satisfy the conditions set out in clauses (22) (a) and (b) shall be deemed to be joined as parties to an application under subsection (18) or (19) on the later of the date upon which the application is brought and the date upon which they satisfy the conditions, and shall be bound by the decision rendered by the court in the proceedings commenced by the application.

R.S.O. 1990, c. B.16, s. 185 (23).

Idem

(24) Upon an application to the court under subsection (18) or (19), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall fix a fair value for the shares of all dissenting shareholders.

R.S.O. 1990, c. B.16, s. 185 (24).

Appraisers

(25) The court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

R.S.O. 1990, c. B.16, s. 185 (25).

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Final order

(26) The final order of the court in the proceedings commenced by an application under subsection (18) or (19) shall be rendered against the corporation and in favour of each dissenting shareholder who, whether before or after the date of the order, complies with the conditions set out in clauses (22) (a) and (b).

R.S.O. 1990, c. B.16, s.185 (26).

Interest

(27) The court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

R.S.O. 1990, c. B.16, s. 185 (27).

Where corporation unable to pay

(28) Where subsection (30) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (26), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

R.S.O. 1990, c. B.16, s. 185 (28).

Idem

(29) Where subsection (30) applies, a dissenting shareholder, by written notice sent to the corporation within thirty days after receiving a notice under subsection (28), may,

(a) withdraw a notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder's full rights are reinstated; or

(b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

R.S.O. 1990, c. B.16, s. 185 (29).

Idem

(30) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that,

(a) the corporation is or, after the payment, would be unable to pay its liabilities as they become due; or

(b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

R.S.O. 1990, c. B.16, s. 185 (30).

Court order

(31) Upon application by a corporation that proposes to take any of the actions referred to in subsection(1) or (2), the court may, if satisfied that the proposed action is not in all the circumstances one that should give rise to the rights arising under subsection (4), by order declare that those rights will not arise upon the

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taking of the proposed action, and the order may be subject to compliance upon such terms and conditions as the court thinks fit and, if the corporation is an offering corporation, notice of any such application and a copy of any order made by the court upon such application shall be served upon the Commission.

1994, c. 27, s. 71 (24).

Commission may appear

(32) The Commission may appoint counsel to assist the court upon the hearing of an application under subsection (31), if the corporation is an offering corporation.

1994, c. 27, s. 71 (24).

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APPENDIX K
SHARE SALE FACILITY

1.1 Description

(a) The terms of the Share Sale Facility are set out in this schedule (the "**Terms**") and will be available to certain eligible Lithium Shareholders and holders of Exchangeable Shares (the "**Eligible Participants**") for a period of 12 months from the Record Date to the Facility Expiry Date. Capitalized terms not otherwise defined in the body of these Terms are set out at section 1.8 below.

(b) Galaxy Resources Limited ("**Galaxy**") has made arrangements with Morgan Stanley Smith Barney (the "**Sale Agent**") whereby the Sale Agent is making available a Share Sale Facility under which Eligible Participants will be able to sell the fully paid ordinary shares in Galaxy (the "**Galaxy Common Shares**") that they are entitled to receive as a result of either:

(i) implementation of the Arrangement, if the Eligible Participant duly elects in the applicable Letter of Transmittal to participate in the Share Sale Facility and returns the Letter of Transmittal to Equity Financial Trust Company or any successor depositary (the "**Depositary**") prior to the Facility Expiry Date; and

(ii) the exchange of Exchangeable Shares, if the Eligible Participant duly elects in the applicable Retraction Request to participate in the Share Sale Facility with respect to some or all of the Galaxy Common Shares to be issued upon exchange of Exchangeable Shares and returns the Retraction Request to Canco or its agent prior to the Facility Expiry Date.

(c) The provision of the Share Sale Facility is separate to the consideration to acquire Lithium Shares under the terms of the Arrangement and does not form part of the consideration for those Lithium Shares. References to the provision of the consideration under the Arrangement do not include a reference to any cash which you may receive as a result of any sale under the Share Sale Facility.

(d) Galaxy's obligations to you under the Arrangement will be satisfied by delivering the consideration described in the Arrangement Agreement. You may elect to sell that consideration in accordance with these Terms.

(e) Subject to section 1.1(f), Galaxy Common Shares will be sold under the Share Sale Facility at the market price (being a price which is not underwritten) and certain sale proceeds will be converted at a foreign exchange rate which is not fixed from $AUD into $CAD or $USD (as relevant) in accordance with section 1.6(c). The market price at which the Galaxy Common Shares are sold will be the market price at the time of the actual sale of such Galaxy Common Shares and may be less than the market price of Galaxy Common Shares at the time that you elect to participate. The market price of Galaxy Common Shares is subject to change from time to time and there may be a substantial delay between your election to participate in the Share Sale Facility and the time that your Galaxy Shares are sold. During that time the market price of Galaxy Shares may change. Up to date information on the market price of Galaxy Common Shares may be obtained from the ASX website: www.asx.com.au, under Galaxy's ASX Code: GXY. Furthermore, the market exchange rate at which certain sale proceeds are converted in accordance with section 1.6(c) will be the exchange rate at the actual date of conversion of the sale proceeds and such rates are also subject to change from time to time.

(f) If Galaxy, after consultation with the Sale Agent, forms the view that market conditions do not support the sale of all or part of your Galaxy Common Shares, then your Galaxy Common Shares participating in the Share Sale Facility that have not been sold will be re-transferred to you. If you elect to participate in the Share Sale Facility, Galaxy and/or the Sale Agent will be irrevocably

authorized by you to do all things and execute all documents (including to effect any holding adjustment, securities transformation or other transmission or transaction in relation to your holding of new Galaxy Common Shares, whether personally or, where practicable, through an agent) to facilitate the sale of all or part of your new Galaxy Common Shares by the Sale Agent under the Share Sale Facility or the re-transfer of any Galaxy Common Shares that have not been sold under the Share Sale Facility to you.

1.2 Terms of participation

The terms of participation in the Share Sale Facility are as follows:

(a) the Share Sale Facility is only available to:

(i) Lithium Shareholders whose address as shown in the register of shareholders of Lithium One at the Effective Time (the "**Eligible Lithium Shareholders**") is in Canada, Australia or the United States; and

(ii) holders of Exchangeable Shares,

and the Share Sale Facility will only be available in respect of Galaxy Common Shares that Eligible Lithium Shareholders are entitled to be issued at the Effective Date or immediately upon the exchange of an Exchangeable Share. The Share Sale Facility is not available for Galaxy Common Shares acquired by any other means or any other time;

(b) participation in the Share Sale Facility is entirely voluntary and each Eligible Lithium Shareholder is free to elect to receive and to hold the Galaxy Common Shares to which they are entitled under the Arrangement Agreement or to sell them in another manner (for example, by transferring their holdings to another dealer with whom they have a brokerage relationship);

(c) if you are an Eligible Participant and you elect to participate, you:

(i) will do so on the basis of these Terms, the terms set out in the Letter of Transmittal and or Retraction Request (as applicable) as well as any associated documents provided or made available to you in relation to the Share Sale Facility (together, the "**Share Sale Facility Documents**");

(ii) will be a "**Share Sale Facility Participant**"; and

(iii) will not be liable to pay any brokerage, handling fees or stamp duty for the sale of your new Galaxy Common Shares under the Share Sale Facility. However, you will be liable for any other tax or charge on the sale of your new Galaxy Common Shares (including, capital gains tax) (if any)); and

(d) the Share Sale Facility will be open to Eligible Participants until the Facility Expiry Date provided that the election to participate in the Share Sale Facility must be received:

(i) under the Letter of Transmittal; or

(ii) under the Retraction Request,

prior to 4:30pm (Toronto Time) on the Facility Expiry Date.

1.3 Acceptance procedure

(a) The acceptance procedure to participate in the Share Sale Facility is as follows:

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(i) if you are an Eligible Lithium Shareholder, the Letter of Transmittal will contain a box allowing you to elect to participate in the Share Sale Facility for the sale of some or all of the Galaxy Common Shares you are entitled to upon implementation of the Arrangement;

(ii) if you are the holder of an Exchangeable Share, the Retraction Request will contain a box allowing you to elect to participate in the Share Sale Facility upon the exchange of some or all of your Exchangeable Shares for Galaxy Common Shares; and

(iii) you must mark the relevant election to participate (in the Share Sale Facility) specified in your Letter of Transmittal or Retraction Request (as applicable) and return that form so that it is received in accordance with the instructions on the form (including provision of documents, if any) on or prior to the Facility Expiry Date.

(b) Subject to regulatory requirements, Galaxy reserves the right, on behalf of the Sale Agent and for any reason, to modify the timetable for, or to suspend (for any period of time) the operation of, the Share Sale Facility (including to suspend the ability to elect to participate in, or to suspend the sale of Galaxy Shares under, the Share Sale Facility) in its sole discretion. Any such modification or suspension will be announced to ASX.

1.4 Sale Agent

(a) Each Share Sale Facility Participant irrevocably appoints the Sale Agent as execution-only broker to sell in accordance with the Share Sale Facility Documents those Galaxy Common Shares in respect of which the Share Sale Facility Participant has elected to participate and such irrevocable appointment shall be effective:

(i) in the case of the Letter of Transmittal, at the date of completion of the Letter of Transmittal by the Share Sale Facility Participant; and

(ii) in the case of the Retraction Request, at the Retraction Date specified by the Share Sale Facility Participant in the Retraction Request.

(b) The Sale Agent's appointment as 'execution-only' broker means that neither the Sale Agent nor Galaxy or any of its agents is giving, nor are any of them obliged to give, any advice as to the desirability of selling or holding any security. The Letter of Transmittal and Retraction Request, each including these Terms, do not constitute advice or a recommendation by any of the above to buy, sell or hold securities in Galaxy, nor that the Share Sale Facility or any other facility is the best way to sell your new Galaxy Common Shares.

(c) Accordingly, before you elect to use the Share Sale Facility you should ensure that the Share Sale Facility meets your own objectives, financial situation and needs. If you are unsure of what action to take you should consult a licensed financial adviser. Galaxy will pay brokerage (and any applicable goods and services tax under the GST Law as that term is defined in *the A New Tax System (Goods and Services Tax) Ac*t 1999 (Cth)) to the Sale Agent in relation to the sale of your new Galaxy Common Shares under the Share Sale Facility.

(d) Galaxy and the Sale Agent are irrevocably authorized by each Share Sale Facility Participant to do all things and execute all documents (including to effect any holding adjustment, securities transformation or other transmission or transaction in relation to all or part of a Share Sale Facility Participant's holding of new Galaxy Common Shares, whether personally or, where practicable, through an agent) to facilitate the sale of all or part of the new Galaxy Common Shares of the Share Sale Facility Participant by the Sale Agent under the Share Sale Facility or the retransfer of any Galaxy Common Shares that have not been sold under the Share Sale Facility to you.

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1.5 Election to participate

(a) Once a Share Sale Facility Participant has provided a valid election to participate under the Letter of Transmittal or Retraction Request, they are not permitted to sell or otherwise commit outside of the Share Sale Facility any of the Galaxy Common Shares in respect of which an election has been made to participate in the Share Sale Facility.

(b) Where a Share Sale Facility Participant elects by way of Letter of Transmittal to participate in the Share Sale Facility, they will, or will be deemed, to direct the Depositary to transfer the new Galaxy Common Shares to be issued upon implementation of the Arrangement directly into a holding account on Galaxy's issuer sponsored subregister for the purpose of Galaxy holding as nominee and then selling under the Share Sale Facility.

(c) Where a Share Sale Facility Participant elects by way of Retraction Request to participate in the Share Sale Facility, they will, or will be deemed, to direct Galaxy to issue the new Galaxy Common Shares to be issued upon exchange of their Exchangeable Shares at the Retraction Date directly into a holding account on Galaxy's issuer sponsored subregister for the purpose of Galaxy holding as nominee and then selling under the Share Sale Facility.

1.6 Processing of sales of new Galaxy Common Shares

(a) Galaxy or its agent will process all elections to participate by aggregating valid elections to participate according to the order which they are processed to form batches (with each batch aggregated in Galaxy's or its agents sole discretion) to be sold by the Sale Agent. Each batch must be comprised of part or all of two or more Share Sale Facility Participant's new Galaxy Common Shares.

(b) Galaxy or its agent will advise the Sale Agent of the number of new Galaxy Common Shares available to be sold in respect of each batch as batches become available (taking into account, among other things, the time at which the relevant new Galaxy Common Shares are issued) and the Sale Agent will (subject to sections 1.1(f) and sections 1.6(f), (g) and (h)) sell the batches of new Galaxy Common Shares (the "**Batched Sale Shares**") in the order in which the instructions in relation to each batch are provided by Galaxy or its agent.

(c) The price (the "**Sale Price**") that a Share Sale Facility Participant will be paid for each of their new Galaxy Common Shares that are sold under the Share Sale Facility will be the volume weighted average price achieved by the Sale Agent for the Batched Sale Shares in which the Share Sale Facility Participant's new Galaxy Common Shares are assigned. Share Sale Facility Participants whose address as shown in the register of shareholders of Lithium One at the Effective Time is in Australia will be paid the proceeds from the sale of their new Galaxy Shares in $AUD. Subject to section 1.6(i), the proceeds received by the Sale Agent from the sale of the Batched Sale Shares will:

(i) in the case of Share Sale Facility Participants whose address as shown in the register of shareholders of Lithium One at the Effective Time is in Canada or who are participating as holders of Exchangeable Shares, be converted from $AUD to $CAD by Galaxy or its agent prior to being paid to the Share Sale Facility Participants; and

(ii) in the case of Share Sale Facility Participants whose address as shown in the register of shareholders of Lithium One at the Effective Time is in the United States, be converted from $AUD to $USD by Galaxy or its agent prior to being paid to the Share Sale Facility Participants,

based on a market exchange rate after the sale of the Batched Sale Shares is settled and on the day of that settlement. As a Share Facility Participant's new Galaxy Common Shares may be assigned

to one or more batches of Batched Sale Shares and each batch may be sold on a different day, the exchange rate applied to the sale proceeds from a Share Facility Participant's new Galaxy Common Shares may vary from batch to batch in which such Share Facility Participant's shares are sold.

(d) Share Sale Facility Participants should note that they will not have control over the time of the sale of their new Galaxy Common Shares or the rate of exchange that is applied to the amounts received on market from the sale of their new Galaxy Common Shares, and therefore will not be able to personally ensure that the sale occurs at a certain price nor that the sale proceeds achieve a certain value in their hands.

(e) The Sale Price will depend upon the market conditions prevailing at the time of the sale and the rate of exchange to be applied to the proceeds of the sale may be different to the price of Galaxy Common Shares and the foreign exchange rate appearing in the newspaper or quoted by ASX on the day that a Share Sale Facility Participant's new Galaxy Common Shares are sold. Share Sale Facility Participants may, within 5 Business Days of being paid sale proceeds in accordance with section 1.7 request (in writing) details from Galaxy of the exchange rate at which those sale proceeds were converted from $AUD into $CAD or $USD (as relevant) (the "**Exchange Rate Request**"). Galaxy must respond (in writing) to an Exchange Rate Request within 5 Business Days of receipt of the relevant Exchange Rate Request from a Share Sale Facility Participant.

(f) The Sale Agent may (in its sole discretion) sell the new Galaxy Common Shares of a Share Sale Facility Participant at any time during the period commencing from the time at which the Share Sale Facility Participant's new Galaxy Common Shares are transferred to, or issued into, Galaxy's issuer sponsored subregister but no later than 4 weeks after such transfer or issue.

(g) The Sale Agent will (in its sole discretion) place one or more orders to sell all new Galaxy Common Shares comprising a batch on ASX in the ordinary course of business (including, in the Sale Agent's sole discretion, by crossings but not as principal). The new Galaxy Common Shares included in a batch of Batched Sale Shares may therefore be sold by multiple trades at different prices. Accordingly, the Sale Price received by a Share Sale Facility Participant may be more or less than the actual price that is received by the broker for the Share Sale Facility Participant's new Galaxy Common Shares.

(h) Subject to section 1.6(f), the new Galaxy Common Shares included in a batch of Batched Sale Shares will generally be sold on the Trading Day (as defined in the ASX Listing Rules) following the day on which Galaxy or its agent advises that a batch is available for sale under section 1.6(a) or as soon as practicable thereafter. However, the Sale Agent may, in its sole discretion, delay the sale of some or all of the new Galaxy Common Shares available to be sold on any Trading Day, if it considers that to be in the best interests of the relevant Share Sale Facility Participant (for example, because it considers market conditions to be unsuitable or to avoid an excessive concentration of sales on a particular Trading Day).

(i) Galaxy or its agent may, in its sole discretion, delay the conversion of some or all of the amounts received for the new Galaxy Common Shares from $AUD to $CAD or $USD (as relevant), if it considers that to be in the best interests of the relevant Share Sale Facility Participant (for example, because it considers market conditions to be unsuitable or to avoid an excessive concentration of conversion on a particular day).

1.7 Payment and confirmation

(a) Sale proceeds calculated in accordance with section 1.6(c) above will be paid to each Share Sale Facility Participant:

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(i) within 10 business days after the settlement of the sale of the batch of Batched Shares in which all of the Share Sale Facility Participant's new Galaxy Common Shares have been assigned or, in the case where a Share Sale Facility Participant's new Galaxy Common Shares are assigned to more than one batch of Batched Shares, within 10 business days after the settlement of the sale of that batch of Batched Shares in which the last part of the Share Sale Facility Participant's new Galaxy Common Shares have been assigned; and

(ii) if participating in the Share Sale Facility through an election under:

(A) the Letter of Transmittal, by cheque posted to the address and made payable to the name or names as specified in or determined in accordance with the Letter of Transmittal; or

(B) the Retraction Request, by cheque posted to the address and made payable to the name or names as specified in or determined in accordance with the Retraction Request,

in each case, at the risk of the Share Sale Facility Participant.

(b) Galaxy or its agent will notify each Share Sale Facility Participant, by way of a transaction confirmation statement issued on behalf of the Sale Agent sent to the address for the Share Sale Facility Participant, of the number of the Share Sale Facility Participant's new Galaxy Common Shares sold under the Share Sale Facility and the Sale Price for those new Galaxy Common Shares, within 10 business days after the settlement of the sale of the last of those new Galaxy Common Shares.

1.8 Defined Terms

Capitalized terms not otherwise defined above have the following meaning:

"**Arrangement**" means the arrangement involving the acquisition by Canco, a wholly-owned subsidiary of Galaxy, of all of the outstanding securities in Lithium One.

"**Arrangement Agreement**" means the arrangement agreement made as of March 29, 2012, among Galaxy, Canco and Lithium One, a copy of which is attached as Appendix E to the Circular.

"**Business Day**" means any day other than a Saturday, Sunday, a public holiday or a day on which commercial banks are not open for business in Toronto, Ontario or Perth, Western Australia, under applicable law.

"**Canco**" means, Galaxy Lithium One Inc., a corporation incorporated under the laws of the Province of Québec that issues the Exchangeable Shares pursuant to the Arrangement.

"**Circular**" means the management proxy Circular of Lithium One prepared and sent to the Lithium Shareholder in connection with the meeting of holders of all the outstanding securities in Lithium One to approve the Arrangement.

"**Court**" means the Ontario Superior Court of Justice (Commercial List).

"**Effective Date**" means the date on which the Arrangement becomes effective in accordance with the *Business Corporations Act* (Ontario) and the Final Order.

"**Effective Time**" means 12:01 am on the Effective Date.

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"**Exchangeable Shares**" means the exchangeable shares in the capital of Canco to be issued under the Arrangement as consideration to each Lithium Shareholder for their Lithium Shares (and as more fully described in Appendix I to the Plan of Arrangement).

"**Final Order**" means the final order of the Court approving the Arrangement, as such order may be amended by the Court at any time prior to the Effective Time or, if appealed, then unless such appeal is withdrawn or denied, as affirmed or as amended on appeal.

"**Facility Expiry Date**" means May 11, 2013.

"**Galaxy Common Shares**" means ordinary shares in the capital of Galaxy.

"**Letter of Transmittal**" means the letter of transmittal and election form mailed, together with the Circular, to each Lithium Shareholder on the Record Date) in order to receive the consideration to which such Lithium Shareholder is entitled under the Arrangement.

"**Lithium One**" means Lithium One Inc., a corporation incorporated under the OBCA.

"**Lithium Shares**" means common shares in the capital of Lithium One.

"**Lithium Shareholder**" means registered holder of Lithium Shares.

"**Plan of Arrangement**" means the plan of arrangement in the form and content of Schedule B annexed to the Arrangement Agreement, and any amendments or variations thereto made in accordance with Section 7.B of the Arrangement Agreement or Section 6 of the Plan of Arrangement or made at the direction of the Court.

"**Record Date**" means May 11, 2012.

"**Retraction Date**" means the date specified in and/or determined in accordance with the Retraction Request on which the holder of Exchangeable Shares desires to have Canco redeem those shares or the deemed date on which those shares are to be redeemed, as applicable.

"**Retraction Request**" means the statement, prepared and delivered in accordance with the terms of the Plan of Arrangement, accompanying the presentation and surrender of written evidence of the book entry of, or the certificate or certificates, representing the Exchangeable Shares which the holder desires to have Canco redeem, together with such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under the *Business Corporations Act* (Québec) and the articles of Canco and such additional documents, instruments and payments as Canco or its agent may reasonably require to effect a retraction.

"**Share Sale Facility**" means the share sale facility or share sale facilities made available to Participants on the Terms.

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