

1. INTRODUCTION

This policy outlines the Board of Galaxy Resources Limited's expectations in relation to risk management, so as to ensure there is a shared understanding of what is meant by material risk and the management of these for Galaxy Resources Limited and its subsidiaries (**Galaxy**).

Galaxy is committed to becoming a world class Lithium producer, by optimizing current operations; the development of its existing projects and acquisitions of other operations and projects, in accordance with the law, the principles of good governance, and with integrity and objectivity.

To achieve these objectives, we recognize that risk is an intrinsic aspect of business and is inseparable from opportunity. At the heart of our risk management policy is the desire to manage risk in a manner that delivers an operating environment where we can confidently grow shareholder value through exploiting risks while developing and protecting our people, the communities we work within, assets, reputation and the environment.

Good risk management practices and behaviours will ensure greater control and transparency in our decision making. These decisions have the potential to impact shareholder confidence, regulatory compliance and the bottom line, therefore the application of sound risk management practices in these areas is essential to Galaxy's ability to deliver the company's potential.

2. UNDERLYING PRINCIPLES

The Risk Management Policy communicates our risk management expectations which are embedded in the structured framework to be implemented across all Galaxy operations. This approach to risk management will:

- a. Improve the quality and consistency of decision making and risk tolerance;
- b. Manage risk exposures to tolerable level with regard to financial sustainability and taking account of shareholder expectations;
- c. Enhance the effectiveness and efficiency of Galaxy's activities;
- d. Encourages pro-active rather than reactive management;
- e. Minimise "surprises" through the prompt communication of risk knowledge; and
- f. Safeguards Galaxy's assets, people, finances and the environment.

3. POLICY

Galaxy has implemented a Risk Management Framework for the management and oversight of material risks and internal control. The overall intent of this framework is to ensure the structured identification of the material business risks; management of those material business risks; and internally report to the responsible person and to the board on those material business risks for ultimate acceptance of the risk exposure.

The primary objectives of the Galaxy Risk Management Framework (as directed by this policy) are to:

- a. Integrate effective risk management into the culture of Galaxy and ensure that risk understanding, and risk tolerance are an integral part of all our decision-making processes.
- b. Provide structured processes for identifying, understanding and managing risks (threats and opportunities) so as to:
 - i. maximise opportunities for business growth and diversification while minimising reasonably foreseeable uncertainties, disruption to operations, harm to people and damage to the environment and property;
 - ii. proactively ensure an accurate risk understanding (including identification of the risk of lost opportunities) is developed and maintained in each area of our business and that this understanding is used to direct our business activities and decision-making processes;
 - iii. determine priorities (in terms of relative risk levels) and allocating resources effectively and efficiently;

- iv. assure activities are undertaken within approved risk tolerance levels via the effective management of controls and through the testing and reporting with sufficient oversight to protect the profitability, assets and reputation of Galaxy;
 - v. demonstrate due diligence in discharging legal and regulatory obligations and meeting the expectations and standards of external stakeholders; and
 - vi. ensure regular reports about risk management activities; the most significant risks; and the escalation of failures in mitigation measures are reported to the relevant levels of the management structures.
- c. Provide sufficient resources to develop and deliver on Risk Management Plans across the organisation.
 - d. Recognise and reward risk-aware behaviour, proactively correct inadequate risk management practices and ensure the quality of risk management processes are consistent with the significance of decisions being made.
 - e. Foster an environment where employees and contractors assume responsibility for managing risks and have the confidence to do so, based on the training and empowerment provided by the organisation.

4. RESPONSIBILITIES

The Board has delegated to the Audit and Risk Committee the primary responsibility for ensuring that risks are identified and monitored.

The Chief Executive Officer and Managing Director (**CEO**) is accountable to the Board, through the Audit and Risk Committee for ensuring that the risk management system is maintained in accordance with the Risk Management Policy; the requirements of ASX Principle 7 “Recognition and Management of Risk”; and relevant regulatory requirements (e.g. HSE legislation) and is ultimately responsible for the management of risks within the business. The CEO will be required to report to the Board, through the Audit and Risk Committee, on a regular basis, but at least annually, as to whether the risk management framework is operating effectively in all material respects.

In conjunction with the CEO, the Chief Financial Officer (**CFO**) is accountable for the implementation of the Risk Management Policy and associated standard and management plans and for maintaining a robust risk management programme including:

- a. that the risk management requirements and expectations are communicated and compliance with them is assured;
- b. ensuring appropriate risk assessments are conducted;
- c. ensuring controls (new and existing) associated with material risks are being implemented, used and maintained;
- d. reviewing the adequacy of, and assessing performance against, the relevant risk management plans;
- e. conducting appropriate monitoring and reporting on effectiveness of existing control program and control improvements;
- f. monitoring the risk profile and ability of the various operations, projects and departments to manage risks within tolerable limits; and
- g. sharing information with broad applicability across all areas of the business.

All Galaxy managers (Executive, Managers and Supervisors) have an inherent obligation to manage risks affecting their business objectives, including maintaining an accurate and current register of risks and controls within their area; reporting material risks to the CEO; and ensuring appropriate control activities are being undertaken to manage risk to tolerable levels.

Risk and Control(s) Owners will be defined for all material risks through the relevant risk assessment processes. Risk Owners are responsible for reporting on management of risks and monitoring the status of actions owned by them are implemented within expected timeframes. Control Owners are responsible for ensuring controls are correctly described, implemented, maintained and monitored.

Galaxy embraces the active management and communication of risk by all members of the business, supported by clear accountability and performance evaluation, to achieve strategic and business objectives.

5. APPLICATION

This is a Galaxy policy that applies to all employees and contractors and to any person or entity notified that this Galaxy policy applies to them. Only Galaxy's CEO may authorise an exemption to this policy.

Approved by Galaxy Resources Limited Board

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