

Lithium One Inc. Announces Merger With Galaxy Resources Ltd. Valued at Approximately C\$112 Million

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VANCOUVER, March 30, 2012 - [Lithium One Inc.](#) (the "Company" or "Lithium One") (TSX VENTURE: LI) is pleased to announce that Lithium One and [Galaxy Resources Limited](#) (ASX: GXY) of Australia ("Galaxy") have entered into a definitive arrangement agreement (the "Agreement") pursuant to which a wholly owned subsidiary of Galaxy will acquire by way of a court-approved plan of arrangement (the "Arrangement") all of the outstanding securities of Lithium One.

Holders ("Shareholders") of common shares of Lithium One (the "Common Shares") will be entitled to receive the greater of (a) 1.80 ordinary shares of Galaxy (the "Galaxy Shares") or (b) the number of Galaxy Shares determined by dividing C\$1.55 by the Canadian dollar equivalent of the offering price per Galaxy Share under Galaxy's public offering to be conducted immediately following the public announcement of the Arrangement (the "Offering"), in exchange for each issued and outstanding Common Share. Certain eligible Shareholders may elect to receive all or a part of their consideration in the form of exchangeable shares ("Exchangeable Shares") of a Canadian subsidiary ("Canco") of Galaxy in place of the Galaxy Shares, to allow such Shareholders to potentially benefit from a deferral of capital gains tax consequences, pursuant to the terms of the Arrangement Agreement.

The implied value of the share consideration is C\$1.55 per Lithium One share (based on the 5 day volume weighted average trading price ("VWAP") of Galaxy Shares on the Australian Stock Exchange up to and including 15 March, 2012 when Galaxy's non-binding indicative proposal was submitted to Lithium One) representing a 40% premium to Lithium One's 5 day VWAP on the TSX Venture Exchange (the "TSX-V") up to and including March 14, 2012. The offer values Lithium One at approximately C\$112 million on an undiluted basis as at 15 March 2012. 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 Shareholders of 40%.

With respect to other securities of Lithium One, holders ("Optionholders") of options to acquire Common Shares ("Options") that are "in the money" will be entitled to receive, in respect of each Option, Galaxy Shares in accordance with an exchange ratio as set out in the Agreement and holders ("Noteholders") of convertible notes of the Company ("Notes") would receive a Galaxy convertible note in exchange for each issued and outstanding Note.

Galaxy is immediately undertaking an equity financing to strengthen the merged entity balance sheet and provide financial flexibility with its development plans. Galaxy has indicated that its intention is to undertake an equity raising of A\$50 million with provision for oversubscriptions based on demand. If the final Canadian dollar equivalent issue price per ordinary share for the Galaxy financing results in an implied value to Lithium One shareholders of less than C\$1.55, the Galaxy Shares consideration will be adjusted from 1.80 to the number of Galaxy Shares resulting from dividing C\$1.55 by the Canadian dollar equivalent of the issue price per Galaxy ordinary share.

Transaction Benefits

Both Lithium One and Galaxy believe there are a number of compelling reasons to consider a merger and that the proposed transaction provides a strong value proposition to all stakeholders.

Lithium One's security holders will have the opportunity to become part of a vertically integrated lithium company of global significance. Galaxy, upon completion of the Arrangement, will have a portfolio of production and development assets located on four continents, comprising hard rock and brine resource projects and processing facilities, including:

- The Mt Cattlin project, an operating spodumene mine which contains the third largest JORC-compliant (or similar) hard rock lithium Ore Reserve globally;
- The Jiangsu Plant, which will be the largest and most modern hard rock lithium carbonate plant in the

world;

- The Sal de Vida project, a large, high quality brine development project located adjacent to one of the world's largest existing lithium producers;
- The James Bay project, a longer term development project which presents a future opportunity to supply the North American market; and
- The Jiangsu Lithium Battery project, a value adding downstream project to supply lithium-ion batteries to the rapidly growing electric bicycle and electric vehicle market.

The Lithium One Shareholders will diversify their risk by being invested in a company with multiple operations, that is already a lithium producer with the potential to obtain near term benefit from rising lithium prices whilst continuing to enjoy exposure to Lithium One's current development projects.

The Board of Directors of Lithium One has unanimously approved the terms of the Arrangement and resolved to recommend to the holders of Lithium One securities that they vote in favour of the Arrangement. In determining to recommend to the holders of Lithium One securities, the Board of Directors considered a number of factors and relied, in part, on an opinion to the Board of Directors from BMO Capital Markets (financial advisors to Lithium One) 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 to be received by the Lithium One shareholders pursuant to the Arrangement is fair, from a financial point of view, to such shareholders.

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, certain Noteholders, representing approximately 100% of the outstanding Notes, have indicated their support for the Galaxy offer, subject to certain conditions.

Commenting on the Arrangement, Lithium One's Chairman, Martin Rowley, said, "This offer represents an excellent opportunity for Lithium One shareholders to realize immediate and substantial value by exchanging their Lithium One Shares for Galaxy Shares and yet retain the opportunity to continue to share in the success of the Sal de Vida and James Bay projects.

The Lithium One Board and management have done an outstanding job in adding value to its lithium assets within a short period of time, which has been reflected in the attractive offer received from Galaxy. Combining the assets of both Lithium One and Galaxy will result in a fully integrated company that will be a major player in the lithium sector."

Galaxy's Managing Director, Iggy Tan, said, "A merger with Lithium One represents an excellent opportunity for Galaxy to boost its global lithium resource base and become a major lithium company.

Galaxy has spent the last 18 months searching the world for a high quality, undeveloped lithium brine deposit and we believe Lithium One's Sal de Vida lithium-potash project in Argentina fits that criterion. The Sal de Vida brine chemistry is highly favourable, with high levels of lithium and potash and low levels of magnesium and sulphate impurities.

Galaxy will require more lithium resources over the next few years and the Sal de Vida project, along with the James Bay project, will significantly add to our existing Australian resource base at Mt Cattlin and give us sufficient resources to continue to grow the lithium business and drive the long-term value of the company.

The merger is not only a good strategic fit for Galaxy, it also represents an opportunity for Lithium One shareholders to become part of a lithium producing company with hard rock and brine assets around the world plus downstream lithium carbonate production facilities at Jiangsu in China, one of the principal markets for our product.

With Galaxy's expertise across project development and lithium mining, processing and marketing, we will aim to fast track development of Sal de Vida as we did at Mt Cattlin and the Jiangsu Lithium Carbonate Plant. Galaxy plans to retain Lithium One's current management team and incorporate it into Galaxy's successful business."

The Arrangement

The Arrangement will be carried out by way of a statutory plan of arrangement pursuant to the Business

Corporations Act (Ontario) and must be approved by the Court of Queen's Bench of Ontario and the affirmative vote of Lithium One's security holders at a special meeting to be called by management of the Company. At the meeting, the Arrangement will require approval of (a) Shareholders holding at least 66 2/3% of the common shares, voting in person or by proxy; (b) Shareholders and Optionholders holding at least 66 2/3% of the common shares and Options represented at the meeting, voting together in person or by proxy; (c) Noteholders holding 66 2/3% of the principal amount of the Notes represented at the meeting, in person or by proxy; and (d) a majority of the minority, in accordance with National Instrument 61-101 - Protection of Minority Security Holders in Special Transactions.

The Arrangement is also subject to the approval of the TSX-V.

Galaxy shareholder approval of the merger is also required. Galaxy shareholders holding 16% of the undiluted capital of Galaxy have confirmed their intention to vote in favour and support the Arrangement.

The Arrangement is expected to close in late May 2012, shortly after receipt of all security holder and court approvals. Pursuant to the terms of the Arrangement, it is expected the shares of Lithium One will be de-listed from the TSX-V.

Full details of the Arrangement will be included in a management information circular ("Circular") of Lithium One to be filed with securities regulatory authorities and mailed to Lithium One Shareholders in due course. Once mailed, a copy of the Circular and the Agreement will be available under Lithium One's SEDAR profile at www.sedar.com.

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.

Immediately following completion of the proposed merger, Lithium One Chairman Martin Rowley and CEO Paul Matysek would be added to Galaxy's board of directors as non-executive directors. Galaxy's current Chairman and Managing Director would retain their existing positions. Galaxy proposes that key Lithium One management wishing to continue with the merged company be offered ongoing positions.

Advisors

Lithium One's financial advisor is BMO Capital Markets; its legal advisor is Blake, Cassels & Graydon LLP in Canada, Paul, Weiss, Rifkind & Garrison LLP in the United States and Allen & Overy LLP in Australia.

About Lithium One

Lithium One's principal asset is the Sal de Vida lithium and potash brine project in Argentina. 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% internal rate of return ("IRR") and a US\$1.066 billion net present value ("NPV") at an 8% discount rate (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 Sal de Vida by funding a minimum of US\$15M towards feasibility, by 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 Company also owns the James Bay bulk tonnage spodumene project in Quebec. Galaxy is earning a maximum 70% project equity in the James Bay project through an earn-in agreement that includes delivery of a feasibility study by early 2013.

About Galaxy

Galaxy Resources Ltd is an Australian-based integrated lithium mining, chemicals and battery company listed on the Australian Securities Exchange (ASX:GXY) and is a S&P/ASX 300 Index Company. Galaxy wholly owns the Mt Cattlin project near Ravensthorpe in Western Australia where it mines lithium pegmatite ore and processes it on site to produce a spodumene concentrate and tantalum by-product. At full capacity, Galaxy expects to be able to process 137,000 tpa of spodumene concentrate and 56,000 lbs per annum of

contained tantalum. The concentrated spodumene is shipped to 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 that basis and current global production, would make Galaxy the largest producer in the Asia Pacific region and the fourth largest in the world. The Jiangsu plant is in the final stages of commissioning with first production of lithium carbonate from processing Mt Cattlin spodumene expected before the end of March. Galaxy has successfully completed offtake or distribution agreements for what it anticipates will be 100% of the production from Jiangsu with Mitsubishi Corporation of Japan and 13 major Chinese cathode producers. 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.

More information on Galaxy can be viewed at www.galaxylithium.com.

Qualified/Competent Persons

The technical information in this news release related to Lithium One has been prepared in accordance with Canadian regulatory requirements set out in National Instrument 43-101 and has been reviewed and approved by Mr. Michael Rosko of Montgomery & Associates Water Resource Consultants (M&A). Mr. Rosko is a Registered Geologist in Arizona, California, and Texas and a qualified person (QP) as defined in NI 43-101. Mr. Rosko and M&A are independent of Lithium One, owning no securities of any kind in the Company.

The technical information in this report release that relates to Galaxy and its mineral resources and exploration results is based on information compiled by Mr. Robert Spiers who is a full time employee of Hellman and Schofield Pty Ltd. and Dr. Mike Grigson who is a full time employee of Arc Minerals. Mr. Spiers and Dr. Grigson have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Spiers and Dr. Grigson consent to the inclusion in the report release of the matters based on their information in the form and context in which it appears.

The information in this report release that relates to Galaxy and its mineral ore resources is based on information compiled by Mr. Roselt Croeser who is a full time employee of Croeser Pty Ltd. Mr. Croeser has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Croeser consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

ON BEHALF OF THE BOARD OF DIRECTORS,

Martin Rowley
Chairman

Forward-Looking Statements

This document may contain "forward-looking information" within the meaning of Canadian securities legislation (hereinafter referred to as "forward-looking statements"). All statements, other than statements of historical fact, included herein including, without limitation statements relating to; the satisfaction of the conditions to the Agreement, the completion of equity financing, the timing and amount of estimated future production and other matters related to the exploration and development of the Company's projects, are forward-looking statements.

Assumptions upon which such forward-looking statements are based include that Lithium One and Galaxy will be able to satisfy the conditions in the Agreement, that the required approvals will be obtained from the shareholders of each of Lithium One and Galaxy, that all third party regulatory and governmental approvals to the Transaction will be obtained and all other conditions to completion of the Transaction will be satisfied or waived. Many of these assumptions are based on factors and events that are not within the control of Lithium One or Galaxy and there is no assurance they will prove to be correct.

These forward-looking statements are made as of the date of this document and the Company does not intend, and does not assume any obligation, to update these forward-looking statements other than as required by applicable law. Forward-looking statements relate to future events or future performance and

reflect management's expectations or beliefs regarding future events. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include unsuccessful exploration results, changes in metals prices, changes in the availability of funding for mineral exploration, costs of production, unanticipated changes in key management personnel and general economic conditions, title disputes as well as those factors detailed from time to time in the Company's annual information form, interim and annual financial statements and management's discussion and analysis of those statements, all of which are filed and available for review on SEDAR at www.sedar.com. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward looking statements.

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Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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