

Galaxy Resources Limited To Merge With Canada's Lithium One Inc.

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Perth, Mar 30, 2012 - [Galaxy Resources Limited](#) (ASX: GXY) is pleased to announce it has entered into an agreement to effect a merger of Galaxy and Canadian lithium and potash exploration and development company [Lithium One Inc.](#) (CVE:LI).

Lithium One owns the highly prospective Sal de Vida lithium and potash brine project in Argentina ('Sal de Vida'), for which a preliminary economic assessment ('PEA') completed in October 2011 estimated a net present value of US\$1.07 billion (at 8% discount; see further below). Lithium One also owns the James Bay lithium pegmatite project in Quebec ('James Bay'), in which Galaxy has an existing 20% stake under a farm-in arrangement (Galaxy can earn up to 70% by completion of a Definitive Feasibility Study ('DFS')).

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

'Galaxy has spent the last 18 months searching the world for a high quality, undeveloped lithium brine deposit and we believe Sal de Vida 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. Sal de Vida is located adjacent to FMC Lithium's El Fenix lithium operation in the Salar del Hombre Muerto, which has been in operation for the last 15 years.'

'Galaxy will require more lithium resources over the next few years, and Sal de Vida along with James Bay will significantly add to our existing Australian resource inventory and gives us ample 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.'

'With Galaxy's expertise across project development and lithium mining, processing and marketing, we would be able to fast track development of Sal de Vida as we did at our Mt Cattlin lithium mine and Jiangsu lithium carbonate plant. In addition, Galaxy plans to retain Lithium One's current management team and incorporate it into Galaxy's successful business.'

'The Galaxy Board of Directors unanimously support the merger and recommend that Galaxy shareholders vote in favour of it at the Annual General Meeting, which is intended to be held on 17 May 2012,' Mr Tan said.

Lithium One Chairman, Martin Rowley, said this offer represented an outstanding opportunity for Lithium One shareholders to realise the value of their investment.

'The Lithium One Board and management have done an outstanding job in building a successful lithium exploration and development company within a short period of time, which is reflected in the attractive offer received from Galaxy. By combining the assets, we will be a major player in the lithium sector. We look forward to joining the Galaxy team. The merger is unanimously supported by the Lithium One Board of Directors, which recommends that Lithium One shareholders vote in favour accordingly.'

Merger Metrics

Under the agreement, Galaxy will acquire 100% of the outstanding securities of Lithium One via a Plan of Arrangement whereby Lithium One shareholders will receive Galaxy shares in exchange for their Lithium One shares ('Offer').

Lithium One shareholders will receive not less than 1.8 Galaxy fully paid ordinary shares for each Lithium One common share (see note 1). This exchange ratio was set based on the 30 day volume weighted average price ('VWAP') of Galaxy shares up to and including 15 March 2012 (when the non-binding offer was submitted to Lithium One) of A\$0.829 and a CAD:AUD exchange rate of 0.962, and values each Lithium One share at C\$1.55, or C\$112 million on an undiluted basis.

This represents a premium of 27% to Lithium One's 30 day VWAP of C\$1.217, and a premium of 36% to its

10 day VWAP of C\$1.141, up to and including 15 March 2012.

Lithium One has a current cash balance of approximately C\$10 million.

Lithium One Equity Research Reports

Various research houses and brokers cover Lithium One. The following is a summary of the research reports and their associated target price recommendations. These reports are available on Lithium One's company web site www.lithium1.com. The target price recommendation average is C\$2.75 per Lithium One share.

Research Company	Date	Comment Target	Price C\$
Byron Capital	Mar-11	Pre PEA	2.45
Clarus Securities	Mar-11	Pre PEA	3.00
Cormark Securities	Jun-11	Pre PEA	2.40
Clarus Securities	Jun-11	Pump Tests	3.00
Mackie Research	Dec-11	Initiating	2.60
Stifel Nicolaus	Feb-12	PEA Completed	2.30
Byron Capital	Jan-12	PEA Completed	3.25
Byron Capital	Feb-12	C\$9.8m Raising	3.00
Average			2.75

Galaxy Equity Raising

As an agreed pre-cursor to the transaction, Galaxy intends to undertake an equity raising of A\$50 million (before costs) to strengthen the merged entity's ('Galaxy Mergeco') balance sheet and increase its financial flexibility to progress its development plans and pursue additional growth opportunities. Galaxy will consider oversubscriptions based on demand.

Funds raised will be used for working capital for the Mt Cattlin and Jianguo projects, to accelerate development of Sal de Vida; debt servicing, capital raising fees and merger costs. The finalisation of the capital raising is not conditional on the merger with Lithium One proceeding. Both companies are committed to the success of the merger, however, in the event it does not complete, Galaxy will use the residual funds to pursue acquisition of other lithium related properties.

The equity raising is expected to be completed before the merger is completed, through an equity placement and share purchase plan. Galaxy anticipates making a further announcement regarding the capital raising shortly.

To view the complete Galaxy Resources announcement including all data on the Lithium One merger, please refer to the following link:

<http://media.abnnewswire.net/media/en/docs/ASX-GXY-584189.pdf>

About Galaxy Resources Limited:

Galaxy Resources Limited (ASX:GXY) is an Australian-based integrated lithium mining, chemicals and battery company listed on the Australian Securities Exchange 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 will produce 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 Jianguo province. Once complete, the Jianguo plant will produce 17,000 tpa of battery grade lithium carbonate, the largest producer 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 350,000 battery packs per annum for the electric bike (e-bike) market. The Company also has a farm in agreement with TSX-listed 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 global lithium demand outlook and is positioning itself to achieve its goal of being involved in every step of the lithium supply chain.

Contact:

Galaxy Resources Limited
T: +61-8-9215-1700
F: +61-8-9215-1799
www.galaxyresources.com.au

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