

Galaxy Resources Limited Completes Capital Raising to Support Lithium One Merger

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Perth, Australia (ABN Newswire) - [Galaxy Resources Limited](#) (ASX:GXY) is pleased to announce it has successfully raised A\$30 million (before costs) via a Placement ('Placement') to institutional and sophisticated investors. The Placement will support Galaxy's recently announced proposed merger ('Proposed Merger') with [Lithium One Inc](#) (CVE:LI) ('Lithium One').

The Placement proceeds, together with existing funds available to Galaxy, and Lithium One's A\$10m cash reserves, will strengthen the merged entity's balance sheet and increase its financial flexibility to progress its development plans.

In addition, Galaxy has received final approval for two pending fixed asset/working capital loan facilities from two major PRC banks. These credit facilities, which together total A\$36 million (at a 6.6% pa interest rate), are available for the purpose of supporting the Jiangsu Plant and its operations.

The Placement consists of the issue of 39 million new, fully paid shares at a price of A\$0.77 per share, representing a 13% discount to Galaxy's closing price on 30 March 2012, the day prior to the Proposed Merger being announced to the market, of A\$0.885.(1)

Galaxy also proposes to offer eligible existing shareholders the opportunity to participate in a Share Purchase Plan ('SPP').

The SPP is also priced at A\$0.77 per new share and will be capped at A\$3 million.

The funds raised from the Placement and SPP (together with existing funds available to the merged entity, and Lithium One's A\$10 million in cash reserves) will be used for working capital for the Mt Cattlin Mine and Jiangsu Lithium Carbonate Plant, to accelerate development of the Sal de Vida Lithium Project in Argentina, debt servicing, capital raising fees and merger costs.

Galaxy Managing Director Iggy Tan said: 'We are pleased with the level of support we have received from our own shareholders and from new investors across the globe. Our major shareholder, M&G Group is strongly supportive of the Proposed Merger and followed their interest by taking a substantial proportion of the placement.'

Placement

The Placement was completed to sophisticated and institutional clients of Azure Capital, Casimir Capital, Renaissance Capital and Seymour Pierce. The Placement will settle on or around 23 April 2012 and is subject to the Board of Lithium One not changing its current recommendation that shareholders vote in favour of the Proposed Merger with Galaxy, if its financial advisor, BMO Capital Markets ('BMO'), decides to vary its fairness opinion within 5 business days after the public announcement of the results of the Placement. As announced on 30 March 2012, BMO has provided an opinion to the Board of Lithium One that, among other things (including that Galaxy complete the previously proposed equity financing) the consideration proposed to be received by the Lithium One shareholders pursuant to the Plan of Arrangement is fair from a financial point of view to such shareholders.

The Placement proceeds include a subscription by Galaxy's Chairman being a related party (A\$0.5 million) and the conversion of merger advisory fees to shares at the Placement price (A\$0.6 million) in the event that the Proposed Merger with Lithium One is successful, both of which are subject to Galaxy shareholder approval.

Share Purchase Plan

The SPP provides existing Galaxy shareholders with an opportunity to buy a parcel of new shares in the

Company at A\$0.77 per share up to a maximum value of A\$15,000 with no brokerage or commission costs, irrespective of the size of their current shareholding. The SPP is offered to eligible Galaxy shareholders as recorded on the Company's register at 4.00pm (WST) on Thursday 29 March 2012.

A maximum of A\$3 million will be raised through the SPP. In the event of over subscriptions, Galaxy reserves the right to scale back applications at its discretion. The offer to participate in the SPP closes at 5.00pm (WST) on Monday 23 April 2012. The SPP is not subject to any conditions relating to the Proposed Merger or the success of the Proposed Merger.

Full details on the SPP and how to participate will be contained in documents to be mailed to all Galaxy shareholders and published on ASX. The expected timetable for the SPP is as follows:

Item	Expected Timing
Record date	29 March 2012
Announcement of Share Purchase Plan	30 March 2012
Documents mailed to eligible Shareholders	13 April 2012
Opening date for acceptances	13 April 2012
Closing date for acceptances	23 April 2012
Allotment and issue of New Shares	27 April 2012
Quotation of New Shares on ASX	27 April 2012
Dispatch of shareholder statements	30 April 2012

Proposed Merger with Lithium One: Amendment to Transaction Terms

On 30 March 2012, Galaxy announced a proposal to merge with Lithium One for an offer that valued Lithium One at approximately C\$112 million (A\$108 million)(2). The transaction is intended to be effected by a Plan of Arrangement under the Ontario Business Corporations Act. The parties have entered into an Arrangement Agreement which sets out the terms of the Proposed Merger.

Arrangement Agreement, the exchange ratio for the Proposed Merger has been adjusted from 1.80 to 1.96 Galaxy shares for each Lithium One share.

Based on the Placement and SPP pricing, this revised ratio values Lithium One at approximately C\$1.55 per share or C\$112 million on a fully diluted 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, when the non-binding offer was submitted to Lithium One.

Share Sale Facility

As announced on 30 March 2012, it is expected the Plan of Arrangement will incorporate an exchangeable share structure to allow Lithium One shareholders to benefit from deferral of capital gains tax consequences.

In addition and subject to regulatory approvals and conditions, Galaxy will work with Lithium One to establish a share sale facility ('Facility') whereby for a period of 12 months following completion of the Proposed Merger, shareholders of Lithium One can have Galaxy shares they receive sold on ASX on their behalf and receive cash. Galaxy intends to release further details of this Facility as when they become available, and a full description will be included in the Lithium One Management Information Circular.

Proposed Merger Shareholder Approvals

The Proposed Merger, which is unanimously recommended by both the Galaxy and Lithium One Boards, and enjoys the support of key shareholders of both companies, requires Lithium One shareholder approval(3) at a shareholder meeting. The date of this meeting is expected to be in late May 2012.

Galaxy shareholders will also be asked to vote on certain resolutions relating to the Proposed Merger at the Galaxy AGM and/or a Galaxy EGM, which is presently intended to be held before the Lithium One shareholder meeting in late May 2012.

Galaxy shareholders holding approximately 16% of the undiluted issued capital of Galaxy have confirmed

their intention to vote in favour of the Proposed Merger.

Proven Project Development and Production Expertise

Galaxy announced on 10 April 2012, that it had achieved first production at its wholly-owned A\$100 million Jiangsu Lithium Carbonate Plant in China, following the successful completion of hot commissioning.

First production at the Jiangsu Lithium Carbonate Plant was a milestone for Galaxy and marked the second project brought into production by Galaxy in less than two years. Galaxy's proven expertise across project development and lithium mining, processing and marketing, will enable the Company to fast track development of the Sal de Vida Project, using the same development philosophy applied to the Mt Cattlin Mine and Jiangsu Lithium Carbonate Plant.

(1) Galaxy has been in a trading halt and then suspended from trading since that date, whilst the Placement was completed.

(2) Fully diluted.

(3) For the Proposed Merger to proceed, it requires the following voting thresholds to be met:

(i) 66.67% of votes cast at the Plan meeting by Lithium One shareholders to be cast in favour of it;

(ii) 66.67% of votes cast at the Plan meeting by Lithium One shareholders and option holders, voting as a single class, to be cast in favour of it;

(iii) 66.67% of the principal amount of the Lithium One convertible notes represented in person or by proxy at the Plan meeting; and

(iv) 50.01% of the votes cast by minority shareholders of Lithium One in accordance with minority approval requirements of MI 61-101

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 Jiangsu province. Once complete, the Jiangsu 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.

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