

Galaxy Resources Limited (ASX:GXY) Share Purchase Plan Offer Document

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Perth, Australia (ABN Newswire) - Galaxy Resources Limited (ASX:GXY) - On behalf of the Board, I am pleased to offer you the opportunity to apply for New Shares in Galaxy under the Offer.

On 30 March 2012 Galaxy announced it had entered into an agreement to effect a merger of Galaxy and Canadian lithium and potash exploration and development company Lithium One Inc (Lithium One). 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 1.96 Galaxy shares for each Lithium One share held.

On 12 April 2012 Galaxy announced it had successfully raised A\$30 million (before costs) via a Placement (Placement) to institutional and sophisticated investors to support Galaxy's recently announced proposed merger with Lithium One and offering eligible existing shareholders the opportunity to participate in a Share Purchase Plan (SPP) to a maximum of A\$3 million.

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.

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. The Offer is not conditional on, and will continue even if the proposed merger with Lithium One does not proceed.

The Offer will open on 13 April 2012 and will remain open until 5.00 pm (WST) on 23 April 2012.

Under the Offer you can acquire up to \$15,000 worth of New Shares without paying any brokerage or other related charges.

The Offer Price is \$0.77 per New Share, which represents a 13% discount to the closing price on 29 March 2012, being the last day on which Shares traded on ASX prior to the announcement of the merger.

If Galaxy receives Applications in excess of the \$3 million sought under the Offer, Galaxy reserves the ability to scale back applications and excess funds will be returned to applicants without interest.

Participation in the Offer is optional and is open to Eligible Shareholders who are holders of Shares in Galaxy

at 4.00 pm (WST) on 29 March 2012 and whose registered address is in Australia or New Zealand.

Full details of the Offer and how to participate are contained in the terms and conditions of this document, which I encourage you to read and consider carefully.

If you have any questions, please contact the Company's share registry, Computershare Investor Services Pty Limited on 1300 850 505 (within Australia) or +61-3-9415-4000 (outside Australia), or Mr Andrew Meloncelli - Company Secretary on +61-8-9215-1700 or email ir@galaxylithium.com, or consult your financial or other professional adviser.

Thank you for your continued support of Galaxy.

Craig Readhead
Chairman

To view the complete Galaxy Resources Share Purchase Plan Offer Document, please refer to the following link below:

<http://media.abnnewswire.net/media/en/docs/ASX-GXY-585463.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 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.

Source:

Galaxy Resources Limited

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