

# Orocobre and Galaxy agree to a proposed A\$4B merger of equals, establishing a new force in the global lithium sector

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**Merger creates the 5<sup>th</sup> largest global lithium chemicals company with a diversified production base and exciting growth platform, with potential to unlock significant synergies and realise value to be shared by all shareholders.**

BRISBANE, April 19, 2021 - [Orocobre Ltd.](#) (ASX:ORE, TSX:ORL) (Orocobre) and [Galaxy Resources Ltd.](#) (ASX:GXY) (Galaxy) are pleased to announce that they have entered into a binding Merger Implementation Deed (MID) under which the two companies will merge via a Galaxy Scheme of Arrangement (Scheme) pursuant to which Orocobre will acquire 100% of the shares in Galaxy.

Galaxy shareholders will receive 0.569 Orocobre shares for each Galaxy share held at the Scheme record date. Upon implementation of the Scheme, Orocobre shareholders will own 54.2% of the fully diluted share capital of the combined entity and Galaxy shareholders will own the remaining 45.8%.

The Scheme is unanimously recommended by the Board of Galaxy and each Galaxy Director intends to vote all the shares that they hold in Galaxy in favour of the Scheme (in both cases, subject to no superior proposal emerging and the Independent Expert concluding (and continuing to conclude) that the Scheme is in the best interests of Galaxy shareholders).

The Scheme is endorsed and supported by the Board of Orocobre, subject to no proposal for Orocobre emerging.

As part of the proposed Scheme, Martin Rowley would become Non-Executive Chairman, Robert Hubbard would become Deputy Chairman, and Mart?n P?rez de Solay would remain CEO and Managing Director of the group, with a highly experienced and complementary Board and management team drawn from the combined group.

A new name for the merged entity will be selected in due course representing the global reach of the new entity, which will have its head office in Buenos Aires, Argentina, a corporate headquarters on the Australian East Coast and an office in Perth.

## Highlights Summary

- Creating a Top 5 global lithium chemicals company<sup>1</sup>
- Highly complementary portfolio of assets delivering geographical and product diversification across brine, hard rock and vertical integration across the supply chain
- Industry leading growth profile with enhanced financial position to optimise and potentially accelerate development with the ability and intent to capture further downstream value
- Compelling industrial logic with significant value creation opportunities unique to this merger
- Highly experienced and complementary Board and senior management teams to drive growth
- Potential to generate significant shareholder value with enhanced scale and financial capacity

Galaxy Chairman Martin Rowley commented: "*This transaction has the potential to be a significant value-creating opportunity for Galaxy and Orocobre shareholders. The Scheme provides shareholders of Galaxy with the opportunity to share in the significant benefits of being part of a larger diversified group and the synergies expected to be available to help enhance and progress our portfolio of world class assets. The merged entity's growth opportunities in both brine and hard rock position it uniquely to take advantage of expected rising EV demand for lithium.*"

Orocobre Chairman Robert Hubbard commented: "*The logic of this merger is compelling. Both Orocobre and Galaxy shareholders, will benefit from the diversification, growth and scale of a top 5 global lithium chemicals*

*company. I take this opportunity to re-iterate the group's ongoing commitment to the principles of delivering the highest level of transparency of our environmental, social and governance performance, the foundations upon which our assets have and will continue to be developed."*

Orocobre CEO and Managing Director Mart?n P?rez de Solay commented: *"The merger brings together assets and teams with highly complementary skills and knowledge, with a unique opportunity to create a leading independent lithium company. The merger consolidates the combined group's position in Argentina and will give us significant operational, technical and financial flexibility to deliver the full value of our combined portfolio."*

Galaxy CEO Simon Hay commented: *"The merger with Orocobre represents an exciting opportunity for both Orocobre and Galaxy shareholders to consolidate and realise the full potential of our asset portfolios and technical capabilities. The transaction will allow the group to materially accelerate the development of our combined growth projects."*

Orocobre and Galaxy will be hosting a joint investor call at 10.30am AEST (8.30am AWST) today, 19 April 2021. Orocobre and Galaxy are announcing their respective quarterly results today.

The call can be accessed via the following link: <https://services.choruscall.com.au/webcast/ubs-210419.html>

### **Transaction Summary**

Orocobre Limited (ASX:ORE, TSX:ORL) and [Galaxy Resources Ltd.](#) (ASX:GXY) have entered into a binding Merger Implementation Deed (MID) under which the two companies will merge via a Galaxy Scheme.

Under the Scheme, Galaxy shareholders will receive 0.569 Orocobre shares for each Galaxy share held on the record date for the Scheme. Orocobre shareholders will own 54.2% of the fully diluted share capital of the combined entity and Galaxy shareholders will own the remaining 45.8%.

The Galaxy Board of Directors unanimously recommends that Galaxy shareholders vote in favour of the Scheme and each Galaxy Director intends to vote all the shares that they hold in Galaxy in favour of the Scheme (in both cases, subject to the Independent Expert opining that the Scheme is in the best interests of Galaxy shareholders and in the absence of a superior proposal).

The Orocobre Board endorses and supports the transaction in the absence of a proposal for Orocobre.

Under the Scheme, Galaxy Chairman Martin Rowley would become Non-Executive Chairman, Orocobre Chairman Robert Hubbard would become Deputy Chairman, Mart?n P?rez de Solay would remain CEO of the group and Simon Hay will become President of International Business reporting to the CEO. The CEO together with the Board will commence an integration process to determine the optimal management team drawing from employees from both companies based on a best fit basis.

On implementation of the Scheme, the Board of Directors will comprise four Independent Directors from Orocobre (including Mr Hubbard), four Independent Directors from Galaxy (including Mr Rowley), and the CEO Mr P?rez de Solay. It is agreed that both Mr Rowley and Mr Hubbard will retire from their roles within 12 months of implementation. They will lead a process to ensure that the longer-term Board composition is ideally placed to lead the merged entity going forward.

### **Strategic Rationale**

- Creating a Top 5 global lithium chemicals company
  - Creates the leading ASX lithium company and a top 5 global lithium chemicals company<sup>2</sup>
  - One of the world's largest, most geographically diversified producers of lithium chemicals
  - Vertically integrated and able to service multiple markets and customers
- Highly complementary portfolio of assets delivering diversification of production and vertical integration
  - Diversified across geography, lithium source and end products
  - Combines two complementary, large scale tier-one assets
  - Vertically integrated product strategy for all key assets

- Industry leading growth profile with enhanced financial position to optimise and potentially accelerate development with the ability and intent to capture further downstream value
  - Significant portfolio of upstream and downstream growth projects
  - Growth pipeline evenly balanced between production optimisation, construction, advanced projects, brownfield expansions and early-stage projects
  - Unique platform of expertise, capacity and geographic presence to consider further inorganic growth opportunities
- Compelling industrial logic with potentially significant value creation unique to this merger
  - Ability to apply combined management and technical expertise across the merged group and shared IP to further de-risk Sal de Vida and optimise Olaroz
  - Potential for substantial savings in Argentina from expertise sharing, employee and contractor sharing and procurement savings
  - Marketing synergies expected from expanded customer relationships and a broader product base
- Highly experienced and complementary Board and senior management teams to drive growth
  - Global team with significant technical expertise to deliver brine projects in Argentina
  - Proven track record of successfully delivering projects across brine, hard rock, and processing
  - Extensive experience within Argentina shared across the combined board and senior management team
- Potential to generate significant shareholder value with enhanced scale and financial capacity
  - Combined entity expected to be included in the ASX 200 index and approach ASX 100 index thresholds
  - Significantly enhanced liquidity and capital markets profile
  - Strengthened balance sheet with pro forma gross cash of US\$487m<sup>3</sup> well placed to deliver a world class project pipeline

## Conditions

Key conditions to the implementation of the Scheme include:

- Galaxy shareholder approval;
- Approval by the Court;
- The Independent Expert concluding that the Scheme is in the best interests of Galaxy shareholders and not changing, withdrawing or qualifying that conclusion;
- No material adverse effect or prescribed event (as each defined in the MID) occurring in relation to either Orocobre or Galaxy (as applicable); and
- Other conditions customary for a transaction of this nature.

The MID includes reciprocal exclusivity arrangements (including "no shop", "no talk" and "no due diligence" restrictions and notification obligations) in favour of both parties, a matching right regime in favour of Orocobre and break fees in favour of both parties. The exclusivity arrangements are subject to customary exceptions that enable the directors of Galaxy and Orocobre to comply with their respective fiduciary and / or statutory duties.

Full details of the terms and conditions are set out in the MID, a copy of which is set out in Annexure A.

## Timetable and next steps

Galaxy shareholders do not need to take any action in relation to the Scheme at this stage.

A scheme booklet containing information in relation to the Scheme, including the basis for the Galaxy Board's unanimous recommendation, an Independent Expert Report and details of the Scheme is expected to be circulated to all Galaxy shareholders in late June 2021.

An indicative timetable (which remains subject to change) is set out below:

Event	Estimated date
First Court Hearing	Late June 2021
Dispatch scheme booklet to Galaxy shareholders	Late June 2021
Scheme Meeting	Late July 2021
Second Court hearing	Late July - Early August 2021

Effective Date	Late July - Early August 2021
Record Date	Early - Mid August 2021
Implementation Date	Mid August 2021

## Advisers

Orocobre's financial adviser is UBS AG, Australia Branch and its legal adviser is Jones Day.

Galaxy's financial adviser is Standard Chartered Bank and its legal adviser is Ashurst.

## Conference Call

Orocobre and Galaxy will host a joint investor call at 10.30am AEST (8.30am AWST) today, 19 April 2021. The call can be accessed via the following link: <https://services.choruscall.com.au/webcast/ubs-210419.html>

This release was authorised by the Board of [Galaxy Resources Ltd.](#) and the Board of Orocobre Limited

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## IMPORTANT NOTICES

This announcement is a joint announcement by [Galaxy Resources Ltd.](#) ACN 071 976 442 (Galaxy) and [Orocobre Ltd.](#) ACN 112 589 910 (Orocobre).

This presentation has been prepared in relation to the proposed merger between Galaxy and Orocobre by way of scheme of arrangement under Part 5.1 of the *Corporations Act 2001* (Cth) (Scheme). Under the Scheme, Orocobre would acquire 100% of the fully paid ordinary shares in Galaxy in exchange for the issue of new fully paid ordinary shares in Orocobre. The Scheme is subject to the terms and conditions described in the merger implementation deed entered into between Galaxy and Orocobre on or about the date of this announcement (Merger Implementation Deed). A copy of the Merger Implementation Deed is attached to this announcement and available on the ASX website (at [www.asx.com.au](http://www.asx.com.au)).

Galaxy and Orocobre have jointly prepared this announcement based on information available to them as at the date of this announcement. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this announcement. To the maximum extent permitted by law, none of Galaxy or Orocobre, their respective directors, employees, agents or advisers, or any other person, accepts any liability, including, without limitation, any liability arising from fault or negligence on the part of any of them or any other person, for any loss arising from the use of this announcement or its contents or otherwise arising in connection with it.

## Forward Looking Statements

This announcement contains forward looking statements concerning Galaxy, Orocobre and the merged group which are made as at the date of this announcement (unless otherwise indicated), including statements about intentions, beliefs and expectations, plans, strategies and objectives of the directors and management of Galaxy and Orocobre for Galaxy, Orocobre and the merged group, the anticipated timing for and outcome and effects of the Scheme (including expected benefits to shareholders of Galaxy and

Orocobre), indications of and guidance on synergies, future earnings or financial position or performance, anticipated production or construction or development commencement dates, costs or production outputs, capital expenditure and future demand for lithium, expectations for the ongoing development and growth potential of the merged group and the future operation of Galaxy and Orocobre.

Forward looking statements are not statements of historical fact and actual events and results may differ materially from those contemplated by the forward looking statements as a result of a variety of risks, uncertainties and other factors, many of which are outside the control of Galaxy, Orocobre and the merged group. Such factors may include, among other things, risks relating to funding requirements, lithium and other commodity prices, exploration, development and operating risks (including unexpected capital or operating cost increases), production risks, competition and market risks, regulatory restrictions (including environmental regulations and associated liability, changes in regulatory restrictions or regulatory policy and potential title disputes) and risks associated with general economic conditions. Any forward-looking statements, as well as any other opinions and estimates, provided in this announcement are based on assumptions and contingencies which are subject to change without notice and may prove ultimately to be materially incorrect, as are statements about market and industry trends, which are based on interpretations of current market conditions.

There can be no assurance that the Scheme will be implemented or that plans of the directors and management of Galaxy and Orocobre for the merged group will proceed as currently expected or will ultimately be successful. You are strongly cautioned not to place undue reliance on forward looking statements, including in respect of the financial or operating outlook for Galaxy, Orocobre or the merged group (including the realisation of any expected synergies), particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the ongoing COVID-19 pandemic.

Except as required by law or the ASX listing rules, Galaxy and Orocobre assume no obligation to provide any additional or updated information or to update any forward looking statements, whether as a result of new information, future events or results, or otherwise. Nothing in this announcement will, under any circumstances (including by reason of this announcement remaining available and not being superseded or replaced by any other presentation or publication with respect to Galaxy, Orocobre or the merged group, or the subject matter of this announcement), create an implication that there has been no change in the affairs of Galaxy or Orocobre since the date of this announcement.

#### **Mineral Resources and Ore Reserves reporting (by Galaxy and Orocobre)**

Any information in this announcement that relates to Sal de Vida Project Mineral Resources and Ore Reserves is extracted from the ASX announcement entitled "Sal de Vida Resource and Reserve Update" dated 14 April 2021 which is available to view on [www.gxy.com](http://www.gxy.com) and [www.asx.com.au](http://www.asx.com.au). Galaxy confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the Mineral Resources and Ore Reserves estimates in the relevant market announcement continue to apply and have not materially changed. Galaxy confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Any information in this announcement that relates to James Bay Mineral Resources is extracted from the ASX announcement, entitled "James Bay Resource Update" dated 4 December 2017 which is available to view on [www.gxy.com](http://www.gxy.com) and [www.asx.com.au](http://www.asx.com.au). Galaxy confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Mineral Resources in the relevant market announcement continue to apply and have not materially changed. Galaxy confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Any information in this announcement that relates to Mt Cattlin Mineral Resources and Ore Reserves is extracted from the report entitled "2020 Resource & Reserve Update" dated 17 March 2021 which is available to view on [www.gxy.com](http://www.gxy.com) and [www.asx.com.au](http://www.asx.com.au). Galaxy confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Mineral Resources and Ore Reserves estimates in the relevant market announcement continue to apply and have not materially changed. Galaxy confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Orocobre is not in possession of any new information or data relating to historical estimates that materially impacts on the reliability of the estimates or Orocobre's ability to verify the historical estimates as mineral

resources, in accordance with the JORC Code. The supporting information provided in the initial market announcement on 21/08/12 continues to apply and has not materially changed. Additional information relating to Orocobre's Olaroz Lithium Facility is available on Orocobre's website in "Technical Report - Salar de Olaroz Lithium-Potash Project, Argentina" dated May 13 2011, which was prepared by John Houston, Consulting Hydrogeologist, together with Mr. Michael Gunn, Consulting Processing Engineer, in accordance with NI 43-101.

The information in this report that relates to exploration reporting at the Cauchari project has been prepared by Mr. Murray Brooker. Mr. Brooker is a geologist and hydrogeologist and is a Member of the Australian Institute of Geoscientists. Mr. Brooker is an employee of Hydrominex Geoscience Pty Ltd and is independent of Orocobre. Mr. Brooker has sufficient relevant experience to qualify as a competent person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. He is also a "Qualified Person" as defined in NI 43-101. Mr. Brooker consents to the inclusion in this announcement of this information in the form and context in which it appears.

### **Note on synergies**

Please also refer to the investor presentation (including slides 7, 8, 13, 14 and 15) released by Galaxy and Orocobre to ASX simultaneously with this announcement for further information about the basis and assumptions underlying any statements about expected synergies in this announcement.

Not for release or distribution in the United States

This announcement has been prepared for publication in Australia and may not be released to U.S. wire services or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction, and neither this announcement or anything attached to this announcement shall form the basis of any contract or commitment. Any securities described in this announcement have not been, and will not be, registered under the U.S. Securities Act of 1933 and may not be offered or sold in the United States except in transactions registered under the U.S. Securities Act of 1933 or exempt from, or not subject to, the registration of the U.S. Securities Act of 1933 and applicable U.S. state securities laws.

### **TSX matters**

Orocobre is an "Eligible Interlisted Issuer" for purposes of the TSX and intends to rely on the exemptions set forth in Section 602.1 of the TSX Company Manual in respect of the Scheme. The issuance of shares by Orocobre pursuant to the Scheme is subject to acceptance by the TSX

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<sup>1</sup> Based on market capitalisation as at ASX market close on 16 April 2021.

<sup>2</sup> Based on market capitalisation as at ASX market close on 16 April 2021.

<sup>3</sup> As at 31 March 2021 and includes restricted cash of US\$108m.

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