



ASX Release

30 May 2016

GALAXY RESOURCES AND GENERAL MINING TO MERGE CREATING LEADING DIVERSIFIED GLOBAL LITHIUM PRODUCER

Highlights of the Merger

- **Creation of a leading diversified global lithium company with a large wholly-owned portfolio of hard rock and brine based lithium assets located in multiple jurisdictions.**
- **Leading growth profile underpinned by Mt Cattlin production, the development of the Sal de Vida brine project in Argentina and James Bay hard rock project in Quebec, Canada.**
- **Positioned to be a major supplier of high quality lithium, servicing the growing demand from energy storage applications.**
- **Strong financial position with a strong pro-forma balance sheet and growing cash flow generation to support continued project expansion and development, and further industry opportunities.**
- **Enhanced equity and capital markets profile with a combined pro-forma market capitalisation in excess of A\$700 million.**
- **Significant growth potential with existing and expanding production, diversified and superior growth profile, proven management and operating teams, strong balance sheet and greater international market profile.**
- **Galaxy and General Mining Boards unanimously support the merger.**
- **4.94% of General Mining shares have entered into pre-bid acceptance agreements. In addition, other General Mining shareholders associated with Michael Fotios, the Chairman of General Mining, representing a further 10.56% of General Mining shares outstanding have made statements of intention to accept the Offer, in absence of a superior proposal.**

Galaxy Resources Limited (ASX:GXY) (**Galaxy**) and General Mining Corporation Limited (ASX:GMM) (**General Mining**) have entered into a definitive Takeover Bid Implementation Agreement (**Implementation Agreement**) to merge the two companies. It is proposed that Galaxy will acquire all of the issued shares of General Mining that it does not already own in a share based transaction by way of an off-market takeover offer (**Offer**).

Under the Offer, General Mining shareholders will receive 1.65 new Galaxy shares for every 1 General Mining share held, which represents a 9.4% premium to the 10-day volume weighted average price (VWAP) and 13.5% premium to the 20-day VWAP to Wednesday 25 May 2016. Based on Galaxy's closing share price of A\$0.395 on the ASX on 25 May 2016 (being the last day General Mining and Galaxy shares traded before the announcement of the Offer), the Offer values General Mining at approximately A\$216 million (on a fully diluted basis) or A\$0.652 per share (on a fully diluted basis).

The Galaxy proposal is unanimously recommended by the directors of General Mining who have also agreed to accept Galaxy's Offer in respect of all shares they control, in each case in the absence of a superior offer.



Strategic Rationale for the Transaction

The merged entity creates a leading diversified, global lithium producer well positioned for continued project expansion and development and further opportunities.

- A leading and diversified global lithium company with existing production and a pipeline of market leading development projects.
- Attractive, wholly-owned and geographically diversified portfolio of hard rock and brine based lithium assets across multiple jurisdictions:
 - Maiden spodumene and tantalum production in 3rd quarter 2016 at Mt Cattlin, Western Australia, generating significant and growing cash flow.
 - Flagship world-scale Sal De Vida Project in Argentina with superior brine chemistry and significant expansion potential.
 - James Bay Project in Canada provides valuable potential to be a future supplier into the rapidly growing North American market.
- Positioned to be a major supplier of high quality lithium, servicing the high-growth demand from energy storage applications including long life lithium-ion batteries used for electric vehicles, domestic and commercial power storage, consumer electronics and power tools.
- Simplified single ownership structure and operational management of assets currently owned via the Galaxy-General Mining joint venture.
- Pro forma market capitalisation of merged entity in excess of A\$700million; potential to become an ASX/S&P 200 company and opportunity for re-rating.
- Strong balance sheet well positioned for continued project expansion and development.
- Merged Board and management team highly credentialed and experienced with strong connections in the key Asian and North American lithium markets.

Management and Governance

Martin Rowley, Chairman of Galaxy, will remain as Chairman of the Board of the combined group. Anthony Tse, Managing Director of Galaxy will remain as Managing Director of the combined group and Michael Fotios, Executive Chairman of General Mining, will be offered a position as a Director on the Board of the combined group.

It is anticipated that the new Galaxy Board will be further strengthened with the appointment of new directors to add international technical and financial experience and expertise.

Galaxy Chairman, Martin Rowley, said:

“We are extremely pleased that the joint venture arrangement we entered into with General Mining in 2015 has resulted in a merger proposal that makes sound strategic sense and, importantly, gives the shareholders of both Galaxy and General Mining the opportunity to participate in the upside of a merged lithium company of global significance.

“The arrangement struck between Galaxy and General Mining has enabled the re-commissioning of the Mt Cattlin mine, drawing on General Mining's financial and technical resources, with Mt Cattlin now poised to deliver first production of spodumene to contracted buyers in the third quarter of calendar 2016.

“We are confident that merging the companies will result in significant benefits to both sets of shareholders with the opportunity for a re-rating for the expanded shareholder base from the enhanced equity and capital markets profile.



General Mining Chairman, Michael Fotios, said:

"General Mining and Galaxy are an excellent and natural fit, given existing joint venture owned assets, complementary project development and operational expertise, as well as aligned, success driven cultures."

"Both companies have successful track records of creating substantial value for shareholders and, together, we will retain this focus. Our ability to capture future growth opportunities in the rapidly evolving lithium market will be significantly enhanced by this merger."

Transaction Details

The Offer will be implemented by way of an off-market takeover offer under the Australian Corporations Act.

The Offer extends to any General Mining shares that are issued as a result of the exercise of General Mining options during the Offer. In addition, Galaxy intends to enter into private treaty arrangements with General Mining's option holders to acquire their options in exchange for new Galaxy options.

Following implementation of the Offer, General Mining is expected to become a wholly-owned subsidiary of Galaxy, with current Galaxy and General Mining shareholders holding 71% and 29% respectively of the enlarged Galaxy.

The Implementation Agreement and the Offer are subject to typical conditions precedent, including:

- a 90% minimum acceptance condition, which (at any time prior to Galaxy receiving acceptances representing 80% of General Mining shares) can only be waived with the consent of General Mining;
- no prescribed occurrence (as defined in the Implementation Agreement) occurring in relation to General Mining;
- no material adverse change (as defined in the Implementation Agreement) occurring in respect of General Mining ;
- no material acquisitions, disposals or new commitments being undertaken by General Mining; and
- other customary conditions as set out in the Implementation Agreement, including no regulatory intervention which (among other things) restrains or prohibits the Offer.

Refer to the Implementation Agreement, separately released to the ASX, for a full copy of the conditions which will apply to the Offer.

The Offer is expected to close during the third quarter of calendar 2016.

Galaxy will remain headquartered in Perth, Western Australia and will maintain its listing on the Australian Securities Exchange.



Pre-bid Acceptances and Shareholder Intention Statements

General Mining shareholders representing 4.94% of General Mining shares outstanding have entered into binding pre-bid acceptance agreements to accept the Offer in respect of their General Mining shares in the absence of a superior proposal. This combined with Galaxy's existing holding of 1.92% of General Mining shares means Galaxy currently has a relevant interest in 6.86% of General Mining shares on issue.

The full terms and conditions of the pre-bid acceptance agreements are attached to Galaxy's initial substantial shareholder interest notice, in relation to General Mining, which has been lodged on the ASX announcements platform.

In addition, other General Mining shareholders associated with Michael Fotios, the Chairman of General Mining, representing a further 10.56% of General Mining shares outstanding have made statements of intention to accept the Offer in respect of their General Mining shares in the absence of a superior proposal.

Timetable

It is expected that Galaxy's Bidder's Statement and General Mining's Target's Statement, containing further information about the Offer, will be posted to General Mining shareholders in June 2016.

Further details about the Offer, the conditions to the Offer, deal protections and proposed timetable are set out in the Implementation Agreement, which will be released on the ASX at the same time as this announcement.

Advisers

Canaccord Genuity is acting as financial adviser to General Mining and Squire Patton Boggs is acting as Australian legal adviser to General Mining.

Steinepreis Paganin is acting as Australian legal adviser to Galaxy.

Investor Conference Call

A conference call will be held for investors, analysts and media on Monday 30 May 2016, 12.00pm (AEST) Conference call details are:

Toll free: 1800 123 296

International: +61 2 8038 5221

Conference ID: 2291 7844

To ask a question, participants will need to dial "*1" (star,1) on their telephone keypad



For further information please contact:

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Further information about the companies is available on Galaxy's and General Mining's websites (see www.galaxyresources.com.au and www.generalmining.com).



About Galaxy

Galaxy Resources Limited ("Galaxy") is a lithium-focused resources company, with assets spanning Australia, Canada and Argentina. The Company is listed on the Australian Securities Exchange (Code: GXY).

Galaxy is currently advancing plans to develop the Sal de Vida Lithium and Potash Brine Project ("Sal de Vida") in Argentina, which is situated in the Lithium Triangle, a region where Chile, Argentina and Bolivia meet and presently accounts for 60% of global lithium production. Sal de Vida is a proven high quality resource and has excellent prospects as a future low cost production facility.

The Company also owns the Mt Cattlin Spodumene and Tantalum Mine near Ravensthorpe in Western Australia, where tantalum production commenced in April 2016 with its operating partner General Mining Corporation Limited ("GMM"). Galaxy also owns the James Bay Lithium Pegmatite Project in Quebec, Canada, in partnership with General Mining.

Once processed, lithium compounds are used in the manufacture of ceramics, glass, and electronics and an essential ingredient in producing battery materials such as cathode and electrolyte. It is also used in the manufacture of long life lithium-ion batteries used for consumer electronics, power tools, electric bikes as well as hybrid and electric vehicles. Anticipating the growing demand, Galaxy is positioning itself to become a major supplier of high quality lithium.

About General Mining

General Mining Corporation's primary assets are the right to earn 50% of the Mt Cattlin spodumene project (from Galaxy) in Western Australia, and an option to earn 50% of James Bay spodumene exploration project in Quebec, Canada. At Mt Cattlin, General Mining's remaining earn-in milestones include the payment of A\$18m in cash consideration to GXY, having spent A\$7m in restart capital prior to the commissioning of the operation in Q12016. At James Bay, General Mining has the option to earn 50% through USD\$5m in exploration expenditure over 3 years.

The Company also holds title to a range of gold exploration tenements in the Murchison region of Western Australia.

Forward Looking Statements and Disclaimers

This announcement is for information purposes only and does not constitute a prospectus or prospectus equivalent document. It is not intended to and does not constitute, or form part of, an offer, invitation or the solicitation of an offer to purchase or otherwise acquire, subscribe for, sell or otherwise dispose of any securities, or the solicitation of any vote or approval in any jurisdiction, nor shall there be any offer, sale, issuance or transfer of securities in any jurisdiction in contravention of any applicable law.

This announcement contains forward looking statements. Forward looking statements are often, but not always, identified by the use of words such as "seek", "target", "anticipate", "forecast", "believe", "plan", "estimate", "expect" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions.

The forward looking statements in this announcement are based on current expectations, estimates, forecasts and projections about Galaxy and General Mining and the industry in which they operate. They do, however, relate to future matters and are subject to various inherent risks and uncertainties. Actual events or results may differ materially from the events or results expressed or



implied by any forward looking statements. The past performance of Galaxy or General Mining is no guarantee of future performance.

None of Galaxy, General Mining or any of their directors, officers, employees, agents or contractors makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law.

You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this announcement reflect views held only as at the date of this announcement.