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## GALAXY COMPLETES OFF-TAKE AGREEMENTS FOR BATTERY PROJECT

### Highlights

- Off-take framework agreements signed with 13 Chinese electric bicycle manufacturers for 100% of battery production
- 5 year agreements with minimum quantity conditions in place
- Proposed Battery Project to produce 350,000 lithium-ion e-bike battery packs per annum
- Sales agreements subject to Galaxy Board approval of the Battery Project investment
- Strong interest in proposed plant's automation, technology and battery density capabilities

Galaxy Resources Limited (ASX: GXY, "Galaxy") is pleased to advise it has signed off-take framework agreements with 13 Chinese electric bicycle (e-bike) manufacturers for 100% of the battery production from its proposed Lithium-Ion Battery Project (**Battery Project**) in China's Jiangsu province.

Galaxy Resources Managing Director, Iggy Tan, said the level of interest in the batteries from major e-bike producers underpins the Company's plans to add a highly-automated battery manufacturing plant to its downstream portfolio.

"The completion and commencement of the Jiangsu Lithium Carbonate Plant is our first priority, nonetheless, these off-take framework agreements are important preparatory work for our proposed pipeline Battery Project," said Mr Tan.

The 5 year framework agreements include a minimum purchase condition of between 15,000 and 40,000 battery packs per annum (see Table 1). Under the agreements, battery prices will be set on a quarterly basis and subject to market price adjustments. Production from Galaxy's proposed Battery Project is expected to reach 350,000 lithium-ion battery packs per annum, but can be tripled in capacity subject to future demand.



Table 1 – Off-take Framework Arrangements

Company	Province	Battery Packs pa
CUSTOMER 1	Zhejiang	20,000
CUSTOMER 2	Zhejiang	15,000
CUSTOMER 3	Shandong	20,000
CUSTOMER 4	Zhejiang	20,000
CUSTOMER 5	Tianjin	30,000
CUSTOMER 6	Hunan	40,000
CUSTOMER 7	Jiangsu	20,000
CUSTOMER 8	Guangdong	40,000
CUSTOMER 9	Guangdong	40,000
CUSTOMER 10	Shanghai	20,000
CUSTOMER 11	Zhejiang	30,000
CUSTOMER 12	Shanghai	15,000
CUSTOMER 13	Guangdong	40,000
<b>TOTAL OFF TAKE</b>		<b>350,000</b>

"The off-take agreements are subject to the Galaxy Board's final investment approval for the Battery Project and **will not consider making this decision until the Jiangsu Lithium Carbonate plant is completed,**" said Mr Tan.

"The Chinese e-bike manufacturers we have signed agreements with were particularly interested in the proposed plant's technological capabilities, as well as the quality and density of the batteries we would produce," said Mr Tan.

"China currently produces 27 million e-bikes per annum and is gradually replacing the bikes' heavy lead acid batteries with lighter lithium-ion battery technology. The majority of e-bikes manufactured for western markets – the Americas and Europe in particular – have lithium-ion batteries.

"Galaxy will initially focus on the production of e-bike batteries due to the existing forecast demand growth and an opportunity to improve the technology currently

available in that sector. The Battery Plant, however, will produce cylindrical cells able to be used in a wide range of batteries, including electric vehicle batteries.

The Company also recently announced a technology license agreement with US-based lithium ion battery producer K2 Energy Solutions Inc. Under the Agreement, K2 Energy will provide Galaxy with battery technology expertise, licensing and commercial support for the construction and operation of the proposed Battery Project.

"It is our belief that with K2's proven technology recipe and the Company's selection of Korean battery processing turn-key plant, we will produce world class lithium batteries for any application," said Mr Tan.

### **China's E-Bike and Battery Sector**

China's Ministry of Public Security (MPS) recently announced that e-bikes manufactured in China with a maximum speed of 20 km/hr should have a maximum weight of 40 kilograms. Galaxy forecasts a transition away from heavy lead acid batteries towards lighter lithium-ion batteries in order to meet this regulation.

The Chinese Government continues to enforce reassessment of environmental protection methods in the lead acid battery sector due to health concerns in the Guangdong and Zhejiang provinces. Lead acid battery manufacturers in the affected areas have had to suspend production, pending assessment. The move has affected about 70% of lead acid battery capacity in China and prices of lead batteries are starting to rise.

Galaxy believes these factors strongly support future market appetite for lighter, non-toxic lithium ion batteries.

### **Battery Project Feasibility Study**

Galaxy completed a feasibility study for the Battery Project in Q4 2010. The study found that production of 350,000 e-bike batteries per annum would generate expected annual revenue of A\$68 million and average pre-tax net cash of A\$30 million per annum. The non geared, net present value (NPV) of the project at a discount rate of 10% was estimated at A\$187 million, with a project capital cost of around A\$134 million. The internal rate of return (IRR) would be around 29%.



27 million e-bikes are produced in China every year

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**About Galaxy (ASX: GXY)**

Galaxy Resources is an international S&P / ASX 300 Index company which plans to become one of the world's leading producers of lithium compounds – the essential component for powering the world's fast expanding fleet of hybrid and electric cars.

Galaxy wholly-owns and operates the Mt. Cattlin mine, which is currently producing spodumene concentrate. Galaxy's Jiangsu lithium carbonate plant, once completed, will have a design capacity of 17,000 tpa of lithium carbonate, which Galaxy expects would make it one of the largest plants in China converting hard rock lithium mineral concentrates into lithium compounds and chemicals.

Lithium compounds such as lithium carbonate are forecast to be in high future demand due to advances in long life batteries and sophisticated electronics including mobile phones and computers.

Galaxy Resources has positioned itself to meet this lithium future by not only mining the lithium, but also by downstream processing to supply lithium carbonate to the expanding Asian market.