

Perth, Australia  
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## GALAXY SIGNS BINDING AGREEMENT FOR SALE OF 100% OF JIANGSU

### HIGHLIGHTS

- Binding Share Purchase Agreement signed with Sichuan Tianqi Lithium Industries Inc. for the sale of 100% of the Jiangsu Lithium Carbonate plant in China,
- Transaction based on an enterprise value of US\$230 million (approximately A\$249 million), comprising cash consideration of US\$122million (approximately A\$132 million) and assumption of all Chinese debt,
- On closing Galaxy to have pro forma positive net cash of approximately A\$62 million,
- Galaxy to maintain industry focus and concentrate on the Sal de Vida lithium brine project in Argentina.

Exchange Rate: 1 AUD: 0.9234 USD

Galaxy Resources Ltd (ASX: GXY) ("Galaxy" or the "Company") is pleased to announce the signing of a binding Share Purchase Agreement ("SPA") with Sichuan Tianqi Lithium Industries Inc. ("Tianqi") for the sale of 100% of the Jiangsu Lithium Carbonate Plant ("Jiangsu Plant"). The agreement will be effected by way of the sale of 100% of the shares in the Company's wholly owned Hong Kong subsidiary Galaxy Lithium International Limited ("Galaxy International") which is the registered holder of 100% of the shares of Galaxy Lithium (Jiangsu) Co., Ltd ("Galaxy Jiangsu") the owner of the Jiangsu plant. The basis of the transaction is an enterprise value of US\$230 million for Galaxy Lithium, with the consideration comprising cash payable to Galaxy of US\$122 million, together with the assumption by Tianqi of the entire US\$108 million of Chinese bank debt at the Galaxy Jiangsu level. The final enterprise value and therefore cash consideration is subject to any working capital adjustments at Galaxy Jiangsu between the date of execution of the SPA and the closing date. Closing of the transaction will radically change the balance sheet of Galaxy from a material negative working capital balance to a pro forma positive net cash balance of approximately A\$62 million enabling the Company to focus on the development of its Sal de Vida lithium brine and potash project ("Sal de Vida") in Argentina as its core asset from a position of financial strength.

Galaxy expects that completion of the SPA will take approximately 3 months as the transaction is subject to Galaxy and Tianqi shareholder approvals, as well as regulatory approvals in China for Tianqi.

Tianqi holds a significant range of assets in the lithium sector. It is a leading producer of lithium products in China and has also recently acquired a majority interest in Talison Lithium, which owns the Greenbushes lithium operations in Western Australia.

Managing Director, Mr Anthony Tse, said that this transaction is a major step in the financial transformation of the Company.

"Since becoming responsible for the management of the company the new Board and executive management team at Galaxy have been entirely focused on the best ways to reduce the interest bearing debt of the Company without further diluting shareholders equity. Completion of the sale of the Jiangsu Plant will leave the Company in a strong net positive cash position with an increase in shareholder's equity. This will leave the Company in a very

strong position to extract the maximum value for shareholders from its remaining portfolio of lithium assets, in particular the Sal De Vida lithium brine project in Argentina.

"The fundamentals for the lithium sector remain strong. Demand growth is robust, with the consumer electronics sector continuing to step up, coupled with increased consumption in hybrid and electric vehicles. Market share of other end user applications, such as power tools and energy storage, also continue to grow. The increasing adoption of lithium technologies in multiple key applications continues to be driven by many government-led initiatives and policies worldwide."

"This transaction with Tianqi provides Galaxy with the opportunity to significantly strengthen its financial position and transform its balance sheet. Following the divestment of the Jiangsu Plant, the Company will continue to retain significant exposure to the lithium sector, through the Sal de Vida lithium brine project and with Mt Cattlin in Western Australia and James Bay in Quebec. Management will continue to investigate how to best extract value from the Mt Cattlin and James Bay projects while concentrating on the development of Sal de Vida now from a position of financial strength and stability," said Mr Tse.

## **GALAXY POST TRANSACTION**

Post transaction completion and after deducting all corporate debt, the Company will have a pro forma positive net cash position of approximately A\$62 million.

Subsequent to the completion of the Definitive Feasibility Study for Sal de Vida last year, Galaxy has continued to work on refining the capital expenditure (CAPEX) options for Sal de Vida, with the objective of achieving a much lower CAPEX budget and shorter project development timeline, as well as project payback period. The Company expects that the final required environmental approvals in Argentina for Sal de Vida to be issued shortly.

## **Transaction Overview**

- 100% sale of the Jiangsu Plant
- Enterprise value of US\$230 million
- Cash consideration of US\$122 million
- Tianqi to assume all debt at Galaxy Jiangsu
- 10% of cash consideration payable as down-payment after Tianqi shareholder approval expected by mid-May 2014
- Transaction subject to Galaxy/Tianqi shareholder and regulatory approvals
- Pro forma positive net cash on closing of approximately A\$62 million

## **Indicative timetable**

Galaxy intends to issue a Notice of Meeting in early May to call for an Extraordinary General Meeting of shareholders to approve the sale in early June.

## About Tianqi

Tianqi is a Chinese company listed on the Shenzhen Stock Exchange of China. It conducts its operations mainly from China, but have customers, business partners and suppliers in various countries around the world, including Europe, Australia, the United States and Japan. It is a leading producer of lithium carbonate and other lithium products and is also the sole distributor of technical grade lithium concentrate for Talison in China.

-ENDS-

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### Caution Regarding Forward Looking Information.

This document contains forward looking statements concerning Galaxy.

Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties and other factors. Forward-looking statements are inherently subject to business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking information provided by the Company, or on behalf of, the Company. Such factors include, among other things, risks relating to additional funding requirements, metal prices, exploration, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability and potential title disputes.

Forward looking statements in this document are based on Galaxy's beliefs, opinions and estimates of Galaxy as of the dates the forward looking statements are made, and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

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