

Perth, Australia  
27 August 2013

## GALAXY INCREASES RIGHTS ISSUE ENTITLEMENT PROCEEDS, TRADING TO RESUME

### Highlights

- Galaxy shares to resume trading on ASX today following \$17.2 million capital raising
- Balance sheet strengthened, company to focus on production ramp-up
- Business operations moving forward with cost reduction review ongoing

Galaxy Resources Ltd (ASX: GXY) ("Galaxy" or "the Company") advises proceeds raised under its 1 for 1 pro-rata non-renounceable entitlement offer (Entitlement Offer) and the shortfall have reached a total \$17.2 million, 43% above the minimum required under the raising of \$12 million.

The Company also advises that its shares will recommence trading on the ASX today.

The proceeds from the raising to date will be used for partial debt pay down to Chinese lenders, working capital for the Jiangsu Lithium Carbonate Plant (Jiangsu) in China and the Sal de Vida Lithium Brine and Potash Project (Sal de Vida) in Argentina, and to pay costs associated with the raising.

Galaxy Interim Managing Director Anthony Tse said: "We are pleased to have received solid shareholder support to date, which has included participation from our major shareholders M&G and Deutsche Bank. Our strengthened balance sheet position under the rights issue will allow us to implement a range of strategic initiatives, manage our finances and progress our operations.

"We believe that the successful raising, together with ongoing balance sheet initiatives will allow the Company to focus on its operations and production ramp up. Moreover, we remain firmly committed to our strategy of becoming a significant global lithium producer."

### Company Update

The recently-formed Special Management Committee is overseeing a number of financial and operational restructuring initiatives. The primary goal is to reduce costs and overall debt. This will include a review of the composition of the Company's Board and management and the potential sale of non-core assets within the Company's portfolio.

As part of the Company's ongoing balance sheet restructuring, management has recently concluded a successful negotiation with the Company's convertible bondholders to restructure its outstanding \$61.5 million 8% convertible bonds previously redeemable on 19 November 2013. The outstanding convertible bonds were an issue of concern for a number of Galaxy's investors, and the restructuring now alleviates a significant cash need in November this year, as well as providing a means by which some of that outstanding convertible bond debt can be converted into equity. For any principal and accrued interest outstanding as at 19 November 2013, bondholders can continue to hold the bonds until the maturity date of 19 November 2015 with a 2% increase in

the coupon rate to 10% coupon per annum or convert the remaining bonds into shares and receive 1.5 options per share (on the same terms as the Entitlement Offer).

In addition, Galaxy has managed to pay down or reschedule near term payments due under its total of \$113 million in loans with China Construction Bank, Industrial and Commercial Bank of China, and Shanghai Pudong Development Bank, further alleviating short term funding requirements. Discussions are continuing with these banks to achieve an overall debt profile that is better aligned with the current developmental stage of the business and its cashflows.

Galaxy has committed to reducing corporate costs in 2013 from \$17.6 million in 2012 to \$12.2 million. In the next 12 months, further costs savings of \$7.0 million are targeted.

The ramp-up of the Jiangsu Plant continues to progress and, as previously announced, the Company will now focus on accelerating the ramp-up to full production capacity. Jiangsu remains a core strategic asset for Galaxy as it increases production and sales of lithium carbonate and the Company remains confident of reaching a cash flow break even status at the Jiangsu operation later in the year.

Similarly, Sal de Vida remains a key strategic project for the Company. Discussions are continuing around project funding and development while the Company continues to assess various alternative options.

--ENDS--

For more information, please contact:

**Corporate**

Andrew Meloncelli  
Company Secretary  
Galaxy Resources Ltd  
Tel (office): +61 (0) 8 9215 1700  
Email: [ir@galaxylithium.com](mailto:ir@galaxylithium.com)

**Media Contact**

Jane Munday  
FTI Consulting  
Tel (office): +61 (0) 8 9485 8888  
Tel (mobile): + 61 (0) 488 400 248  
Email: [jane.munday@fticonsulting.com](mailto:jane.munday@fticonsulting.com)

**About Galaxy (ASX: GXY)**

Galaxy Resources Ltd ("Galaxy") is an Australian-based global lithium company with lithium production facilities, hard rock mines and brine assets in Australia, China, Canada and Argentina. The Company is a lithium producer listed on the Australian Securities Exchange (Code: GXY) and is a member of the S&P/ASX 300 Index.

Galaxy has built an advanced and fully-automated Lithium Carbonate production facility in Jiangsu Province, China ("Jiangsu Plant"). The Jiangsu Plant has a name-plate capacity of 17,000 tpa, is primarily focused on producing battery grade lithium carbonate, and is aiming to become the largest producer in the Asia Pacific region and the fourth largest in the world.

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 has excellent promise as a future low cost production facility.

The Company also owns the Mt Cattlin Spodumene Mine near Ravensthorpe in Western Australia and the James Bay Lithium Pegmatite Project in Quebec, Canada.

Lithium compounds are used in the manufacture of ceramics, glass, electronics and are an essential ingredient in producing battery materials such as cathode and electrolyte, in the manufacture of long life lithium-ion batteries, which are used in consumer electronics, power tools, electric bikes, hybrid and electric vehicles. Anticipating the growing demand in coming years, Galaxy is positioning itself to become a major producer of lithium products

## 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.

## Not For Release in US

This announcement has been prepared for publication in Australia and may not be released in the U.S. This announcement does not constitute an offer of securities for sale in any jurisdiction, including the United States, and any securities described in this announcement may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the issuer and that will contain detailed information about the company and management, as well as financial statements.