

Galaxy joins legal proceedings seeking value for its Alita shareholding

Highlights

- ◆ **Galaxy remains a material shareholder in Alita Resources Ltd (Alita) and continues to seek some value for that shareholding**
- ◆ **The Administrators of Alita and its subsidiaries have entered into Deeds of Company Arrangement with Austroid Corporation (DOCAs) which, if effectuated, will result in Austroid acquiring Alita and its assets with no return for Galaxy or any other Alita shareholders**
- ◆ **Lithium WA Investments Pty Ltd (LWA) is seeking court orders to either place Alita into liquidation or enabling it to acquire the Alita assets for \$55 million**
- ◆ **Galaxy supports the position of LWA and has joined the legal proceedings as a plaintiff**
- ◆ **Galaxy will share the costs of the legal proceedings with LWA and Tribeca Investment Partners (Tribeca), also an Alita shareholder**

Galaxy Resources Limited (ASX:GXY, **Galaxy** or the **Company**) advises that it has joined as a plaintiff the legal proceedings currently being pursued by LWA.

LWA, a company associated with Alita's previous mining contractor, SMS Innovative Mining Pty Ltd (**SMS**), is currently seeking court orders (**Legal Proceedings**) that either the DOCAs:

- be terminated and that Alita be placed into liquidation; or
- be varied with the effect that LWA is substituted as the proponent of the DOCAs and that a consideration of A\$55 million be payable under those DOCAs (**LWA Offer**). In this scenario the DOCAs would be subject to confirmatory due diligence by LWA before becoming binding.

Galaxy supports the position of LWA and, together with SMS, has agreed to join the Legal Proceedings as a plaintiff.

If the Legal Proceedings are successful either:

- the Alita entities will be placed in liquidation and the liquidator will undertake an open sales process for the Alita assets; or
- LWA will acquire the Alita assets for A\$55 million.

Galaxy believes that either of these scenarios will result in a better outcome than the nil return for Galaxy if the DOCAs are effectuated.

Galaxy, LWA and Tribeca have agreed to jointly fund the Legal Proceedings and any acquisition of Alita and/or its subsidiaries or assets by LWA under the LWA Offer. Galaxy has agreed to fund 60% of any consideration payable by LWA under the LWA Offer in the form of a convertible loan which, at Galaxy's election, will convert into 60% of the issued capital in LWA.

Galaxy believes that a sale of Alita or its assets under a liquidation sales process will result in a price being paid which is greater than the secured debt of Alita (being A\$48 million at the time of the Administrators' report to creditors), and therefore increase the chances of a return on Galaxy's shareholding. If Alita is placed into liquidation Galaxy will separately consider making an offer to acquire Alita or its assets as part of any liquidator sale process.

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Galaxy notes that the Legal Proceedings are currently scheduled to be heard on 12 to 16 April 2021. There is no guarantee that the courts will uphold the claim which has been made in the Legal Proceedings, in which case the DOCA relating to the Alita subsidiaries will effectuate and Galaxy will have a liability for costs and other amounts which it has agreed to fund. Accordingly there is no guarantee that Alita will be placed in liquidation, that LWA or Galaxy will acquire Alita or any of its assets or that Galaxy will be required to provide any payments in connection with an acquisition of Alita or its assets. Galaxy will continue to update the market on the progress of the Legal Proceedings.

ENDS

This release was authorised by Mr Simon Hay, Chief Executive Officer of Galaxy Resources Limited.

For more information

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About Galaxy (ASX: GXY)

Galaxy Resources Limited is an international company with lithium production facilities, hard rock mines and brine assets in Australia, Canada and Argentina. It wholly owns and operates the Mt Cattlin mine in Ravensthorpe Western Australia, which is currently producing spodumene and tantalum concentrate.

Galaxy is advancing development of the wholly owned Sal de Vida lithium brine project in Argentina situated in the lithium triangle (where Chile, Argentina and Bolivia meet), which is currently the source of more than 40% of global lithium production. Sal de Vida has excellent potential as a low-cost brine-based lithium carbonate production facility.

Galaxy's diversified project portfolio also includes the wholly owned James Bay lithium pegmatite project in Quebec, Canada. James Bay will provide additional expansion capacity to capitalise on future lithium demand growth.

Lithium compounds are used in the manufacture of ceramics, glass, pharmaceuticals and are an essential cathode material for long life lithium-ion batteries used in hybrid and electric vehicles, as well as mass energy storage systems and consumer electronics. Galaxy is bullish about the global lithium demand outlook and is aiming to become a major producer of lithium products.

Caution Regarding Forward Looking Information

This document contains forward looking statements concerning Galaxy. Statements concerning mining reserves and resources may also be deemed to be forward looking statements in that they involve estimates based on specific assumptions.

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. There can be no assurance that Galaxy's plans for development of its mineral properties will proceed as currently expected. There can also be no assurance that Galaxy will be able to confirm the presence of additional mineral deposits, that any mineralization will prove to be economic or that a mine will successfully be developed on any of Galaxy's mineral properties. Circumstances or management's estimates or opinions could change. The reader is cautioned not to place undue reliance on forward-looking statements. Data and amounts shown in this document relating to capital costs, operating costs, potential or estimated cashflow and project timelines are internally generated best estimates only. All such information and data is currently under review as part of Galaxy's ongoing operational, development and feasibility studies. Accordingly, Galaxy makes no representation as to the accuracy and/or completeness of the figures or data included in the document.

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