



Australia
31 October 2016

CORPORATE UPDATE

Galaxy Resources Ltd (ASX: GXY) ("Galaxy") ("the Company") is pleased to announce that it has varied the existing OCP Asia ("OCP") secured facility, where OCP will be providing an additional A\$16 million facility ("New Facility") to the Company, which has been arranged to support working capital requirements as the Mt Cattlin project advances to first revenue after the scheduled first shipment of spodumene production is made in December 2016. The New Facility will provide the Company with adequate cash flow to meet all capital and operational expenditure requirements in the lead up to the startup of production and first shipment.

Key terms of the new facility are as follows:

- The maturity date of the New Facility is 31 March 2017, and is a variation to the original A\$31M facility with OCP, secured against the assets and undertakings of the Company.
- New Facility coupon 8% per annum.
- OCP will receive a one-time Facility Fee of 2% of the amount of the New Facility and will receive an Establishment Fee, of 40 million 3 year options with an exercise price of A\$0.3436, being the 5-day VWAP up to and including the date of execution of the New Facility agreement.
- Other standard terms include those customary to this type of financing.
- The Company has also agreed with OCP to advance the maturity date of its original A\$31 million facility to 24 February 2017, as part of its overall financing management plan outlined in further detail below.

Galaxy and OCP have executed definitive documentation and the Company has provided to OCP the necessary documentation to satisfy all conditions precedent, and so a draw-down notice for A\$16 million has been issued.

As previously indicated, the Company had been in discussions with Michael Fotios, a director of the Company who had indicated that he would provide up to A\$5 million of this working capital financing. He was however unable to provide his funding within the Company's timetable, so the Board resolved to arrange the entire financing from its existing lender, OCP.

The Company has been evaluating various options to improve its current financing profile, making those sources of funding more cost effective over time. As Galaxy moves into production and positive cash flow, it will be able to access lower cost financing as it achieves steady state operations and revenue from the now expanded Mt Cattlin project. As part of this financing management plan, it is now well advanced in negotiations with an international bank to provide a revolving facility for an amount of up to US\$30 million, which will be applied to refinancing its existing facilities.

About OCP

OCP Asia (Hong Kong) Limited and OCP Asia (Singapore) Pte. Limited is a leading institutional investor in the Asia-Pacific region and manages private investment funds from their offices in Hong Kong and Singapore. OCP is a leading investor in the private debt space and has a long and successful track record of private debt investing in the Australian market. Further details of OCP are available on its website www.ocpasia.com

Galaxy has also agreed to issue the Primero Group ("Primero") shares in Galaxy as part of the consideration for their work on the Mt Cattlin project. It was proposed by Galaxy that an amount of A\$250,000 (excluding GST) of the total fees invoiced by Primero will be satisfied by the issue of 625,000 fully paid ordinary shares in Galaxy at a deemed issue price of A\$0.40 per share.

To further incentivize Primero, Galaxy has granted Primero a certain number of performance options on the following terms:



- 250,000 options exercisable at A\$0.40 each expiring on 8 September 2018, with the exercise conditional on the Mt Cattlin project producing at least 8,000mt of saleable spodumene concentrate by 30 November 2016; and
- a further 250,000 options exercisable at A\$0.40 each expiring on 8 September 2018, with the exercise conditional on the Mt Cattlin project producing at least 15,000mt of saleable spodumene concentrate by 31 December 2016.

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About Galaxy (ASX: GXY)

Galaxy Resources Limited (“Galaxy”) is a global lithium company with lithium production facilities, hard rock mines and brine assets in Australia, Canada and Argentina. It owns the Mt Cattlin spodumene and tantalum project near Ravensthorpe in Western Australia and the James Bay lithium pegmatite project in Quebec, Canada.

Galaxy is advancing plans to develop the Sal de Vida lithium and potash brine project in Argentina situated in the lithium triangle (where Chile, Argentina and Bolivia meet), which is currently the source of 60% of global lithium production. Sal de Vida has excellent potential as a low cost brine-based lithium carbonate production facility.

Lithium compounds are used in the manufacture of ceramics, glass, and consumer electronics 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. 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.

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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