



COMPANY PROFILE

AUSTRALIA

GALAXY RESOURCES

SUPPLYING CHINA'S ENERGY FUTURE

Everything has come together perfectly for this company, with mining and production commencing as China starts its big push for cleaner and renewable energy.

A SX 300 SPODUMENE miner Galaxy Resources is set to corner the Chinese and Asia Pacific market for lithium-ion batteries.

The key difference between Galaxy and competitors in the booming market is its control of every step on the value-add chain.

"Our model's slightly different, in that we own a resource but we want to be involved in the downstream processing and production of that resource," Galaxy managing director Iggly Tan said.

"Our vision is to be an integrated lithium resource, chemical and battery company.

"We also want to be the world's largest battery-grade lithium carbonate producer and the world's largest e-bike lithium-ion battery producer."

Galaxy's primary asset is the Mt Cattlin spodumene mine 40 kilometres inland from Western Australia's southern coast.

The \$80 million development was completed in less than 11 months and first shipment is expected in the first quarter of 2011.

"At its capacity we intend to mine and process one million tonnes of ore

per annum through a crushing system and concentrator," Tan said.

Production and export will be 137,000 tonnes per annum of 6% lithium oxide concentrate.

"The concentrate will be transported to Esperance and shipped to our chemical plant in the Jiangsu province of China, where that ore is converted to lithium carbonate," Tan said.

"The plant is not very far from Shanghai. It's currently under construction and we expect it to be up and running by the backend of quarter two this year."

The \$75 million plant is expected to produce 17,000t of battery-grade lithium carbonate per annum.

"The lithium carbonate grade is 99.5 per cent or better. We have focused mainly on the battery grade lithium carbonate material and by doing so we position ourselves in the Asia Pacific region where we will be the biggest producer of lithium carbonate," Tan said.

"We see China and the Asia Pacific as our patch.

"All our production is being sold via offtake arrangements. A partnership with Japan's Mitsubishi will account for a third of our

production offtake. For the rest, we have offtake arrangements with about 13 major cathode producers in China."

The Jiangsu plant is capable of producing a lithium carbonate at grades of 99.9% and 99.99%.

"The reason we decided to put in better processing facilities is that the electric vehicle market will require higher quality and [we] have positioned ourselves so that we can meet that growth."

And it's the electric vehicle (EV) market that will fuel Galaxy's growth and value.

"The current worldwide market for lithium carbonate is roughly 100,000 tonnes per annum and that's been growing at about five to seven per cent year-on-year. However, the biggest sector is the battery area, which has been growing 30%," Tan said.

The popularity of lithium-ion batteries is driven by the power they can produce per kilogram.

"They're very lightweight and can produce a lot of power quickly. This means your laptops, mobile phones and power tools can be much lighter."

This has made lithium-ion power the best option for the burgeoning EV market.

"The next stage of growth for lithium-ion batteries are e-bikes; electric bicycles," Tan said.

Today, China produces 27 million e-bikes per annum, with most powered by lead-ion batteries.

The other driver of Galaxy's value is the energy storage sector.

Lithium-ion batteries are suited for storage of energy which is generated by renewable sources, such as wind or solar.

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IGGY TAN
 GALAXY RESOURCES



back



The first step in Galaxy's value-add chain is the Mt Cattlin spodumene mine

"It takes an intermittent source like lithium-ion batteries to provide that security and compete with industrial energy," Tan said.

"Today, China is at the forefront of development of this sort of energy.

"China wants 20 per cent of all its power generated to come from renewable sources. They are also pushing electric vehicles; they want 10% of all their vehicles to be emission free by 2013. They also want 50% ownership of EV cars by 2030.

"The reason for that is China is the largest auto market in the world today, overtaking the US, and it realises to fuel all those vehicles, they're going to have to import a lot of oil and petroleum, so they really want to tap a renewable source, such as solar and wind."

This bodes well for future lithium prices.

"Our view is that there will be a greater demand for lithium going forward," Tan said.

"The industry forecasts a threefold increase in demand from 100,000 to 300,000 tonnes per annum by 2020."

To meet this demand growth, Galaxy will dual-list on the Hong Kong Stock Exchange, a move approved by shareholders in December 2010

Galaxy will become the second ASX-listed company with a HKEx ticker.

"The reason for our interest in listing in Hong Kong is because it has a very broad investor base, and stocks generally trade at higher valuation multiples," Tan said.

"There's a very strong appetite for lithium exposure in Hong Kong, because they really understand the push by the Chinese government for renewable energy and electric vehicles.

"Because most of our business is in China, it's a good idea to align investors with our market."

The company will raise \$US260 million in the listing.

"The funds raised will be used to pay off debt and also invest in an e-bike battery plant," Tan said.

"We've conducted a feasibility study on the plant and the reason we are keen to go downstream is because the added value is significant.

"The feasibility study assumes we'll produce 350,000 battery packs per annum, rising to one million per annum.

"The margin on each of those battery packs is \$US85, so you can see the added value.

"We have a team in place to manage that aspect of the business, which will provide another project in the pipeline after we get the Jiangsu lithium carbonate plant up and running." – **Blake Wilshaw**

GALAXY RESOURCES AT A GLANCE



6 months ending January 31, 2011

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MARKET CAPITALISATION

\$A303.04 million (at press time)

QUOTED SHARES ON ISSUE

192,403,400

MAJOR SHAREHOLDERS

Great Resources Holdings Limited 19.80%
National Nominees Limited 5.74%
HSBC Custody Nominees (AUST) Limited 4.69%
Ademsa Pty Ltd 3.99%
Super Raya International Ltd 3.69%



HONG KONG

CAPITAL OPPORTUNITY

The Hong Kong leg of this year's Mines and Money conferences comes at a time when Chinese capital is increasingly accessible to mine developers.

With the Hong Kong Stock Exchange's decision to allow mid-tier mining stocks to list on the bourse, the region has the potential to be the largest source of funding for resource companies in the forthcoming decade.

ASX-listed producer Galaxy Resources is targeting \$US260 million when its dual-lists in Hong Kong this year.

Ivanhoe Mines executive chairman Robert Friedland (pictured) told the 2010 conference: "Hong Kong will become the largest mining finance market in the world."

Friedland returns to the podium this year as a keynote speaker. He will be joined by Australian executives and commentators including Fortescue Metals chief executive Andrew Forrest, MMG chief executive Andrew Michelmore, and CRU Strategies regional director Australasia Allan Trench.

Exhibitor spots for the event have sold out, with a capacity 140 booths on show at the Hong Kong Convention & Exhibition Centre on March 22-25.

Four days of presentations will cover topics including: Key steps towards developing Hong Kong

into a global centre for mining investment, Mining investment in Africa: dispelling myths, exploring opportunities, and Where next for M&A – market trends and implications for investors.

The Hong Kong conference is the first in this year's run of Mines and Money conferences which will be held in Beijing in June, Sydney in September, and London in December.

The Sydney event was previously known as Excellence in Mining & Exploration.

For more information go to www.minesandmoney.com

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