

Galaxy powering up

Wednesday, 7 September 2011
Tania Winter

LITHIUM miner Galaxy Resources has signed offtake framework deals with 13 Chinese electric bicycle manufacturers for all of the battery production from its proposed \$A134 million lithium ion battery project in China.

However, development of the battery project is subject to a final investment decision by the Galaxy board which will not be made until the Jiangsu lithium carbonate plant is completed later this year.

Galaxy managing director Iggy Tan said the level of interest in batteries from major e-bike producers underpins the company's plans to add an automated battery manufacturing plant to its downstream portfolio.

Its first priority is to complete construction of the Jiangsu lithium carbonate plant, which is now scheduled to come online during the fourth quarter after being pushed back from June due to delays in the delivery of construction equipment.

As a result, Galaxy was hit with a 36% jump in cash costs to \$99.8 million.

Production from the proposed battery project is expected to reach 350,000 lithium-ion battery packs per annum, but can be tripled subject to demand.

A feasibility study completed late last year on the project estimated that at that rate it would generate around \$68 million in revenue annually and \$30 million in pre-tax net cash.

Under the five-year framework deal participants must purchase a minimum of between 15,000 and 40,000 battery packs per annum, with prices to be set on a quarterly basis and subject to market price adjustments.

Licensing and commercial support for the construction and operation of the project is covered under a technology license agreement with US-based lithium ion battery producer K2 Energy Solutions Inc.

While Galaxy will initially focus on the production of e-bike batteries due to the existing forecast demand growth, the plant will also produce cylindrical cells for use in a range of batteries, including electric vehicle batteries.

Galaxy shares were up 5.23% or 4c in morning trade to 80.5c.

<http://www.miningnewspremium.net/StoryView.asp?StoryID=2488774>