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Charging up lithium hopes

EMERGING lithium producer Galaxy Resources is about to embark on an international roadshow to raise around \$53m to supplement the debt financing it secured from a Chinese investment group last week.

Galaxy says it obtained the \$130m 100 per cent debt finance on very attractive terms from private Chinese investor Creat Group. The money will be used to fund the construction of lithium operations in Australia and a carbonate plant in China.

Lithium, widely used in batteries for mobile phones and laptops, has been in great demand in recent months because lithium-ion batteries are expected to be the key technology for electric vehicles and large-scale storage for renewable energies such as wind and solar.

Last week, Germany added to the bullish outlook for electric vehicles, passing a law that requires one million electric vehicles on its roads by 2020, adding to initiatives elsewhere in Europe and in China and the US.

Shares in Galaxy and another emerging lithium producer, Orocobre, jumped sharply this month, with Galaxy up 42 per cent, and Orocobre, which has a salt-lake resource in the Andes, where most of the world's lithium is produced, up 55 per cent.

As part of the deal with Creat, Galaxy will sell \$26m of shares at the pre-agreement price of 88c each, equivalent to a 19.9 per cent stake. Galaxy will also raise an extra \$53m in the institutional placement, likely to be priced around the 30-day average of about \$1.05 a share.

Galaxy says it will be able to finalise offtake agreements with Asian battery makers and will use the extra equity capital as a buffer in case of cost overruns or to pay back debt once operations are established.

Galaxy stock last closed at \$1.42, which has also put the options recently allotted to senior executives, including managing director Iggly Tan, well into the money.

Tan will be able to exercise two million options at 60c each once the debt and equity funding is finalised, and a further two million at the same price once the China-based carbonate plant has run at the specified capacity for three months.