

IN THE BLACK

with John Beveridge



Galaxy has moved light years ahead

GALAXY Resources has come a long way since its early days as a lithium explorer.

It has now moved into production at its Mt Cattlin mine near Ravensthorpe, it has interests in a Canadian deposit, and is set to open the world's largest battery-grade lithium carbonate processing plant in Jiangsu, China, in March.

And chief executive Iggy Tan announced another step up the value chain at a lithium conference in Argentina yesterday, with a proposal to expand the Jiangsu plant to produce 5000 tonnes a year of battery-grade lithium hydroxide, taking total high-grade lithium production to

22,000 tonnes a year.

Normally that would be something of a warning sign for investors, given the risks for a miner travelling further up the value-added chain. But in this case the potential to share plant overheads and infrastructure should contain the extra costs.

When you consider that battery-grade lithium hydroxide commands a premium of up to \$US2000 a tonne compared with lithium carbonate, the interest in an expansion before the first plant is even open is understandable.

The key driver for Galaxy is and always will be increasing demand for lithium batteries, which seems like a very safe bet.

China alone is charging ahead with its five-year plan calling for five million electric cars by 2020, and half of the fleet to be electric or hybrid by 2030.

With heavy lead acid batteries likely to be gradually phased out and production of Chinese electric-powered bicycles and motorbikes reaching 27 million a year and still rising, Galaxy's choice of Jiangsu for its processing is a natural one.

The demand for lithium batteries for use in mobile phones, laptops, power tools, and energy storage, and as smaller and lighter starter batteries in conventional cars, is also expanding by around 25 to

30 per cent a year.

The Galaxy/Hatch Engineering study into the lithium hydroxide plant is due to take six months, so the new plant could be operating in less than two years, greatly expanding Galaxy's product mix.

The Australian experience would generally suggest that it is wise to steer clear of miners that attempt too much value-added refining of their output. However, the combination of a strong demand outlook for lithium and a Chinese plant that is close to end customers is enough to keep a **speculative buy** call on Galaxy.