



Galaxy pins hopes on lithium as star turn



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Galaxy Resources will this week turn first soil at its flagship Mt Cattlin lithium mine in Ravensthorpe.

From Friday's ground-breaking ceremony it should take the Iggy Tan-headed group nearly a year to start producing, with Galaxy targeting the third quarter of next year. By 2011 it hopes to be the fourth-biggest lithium carbonate producer in the world.

If the lithium bulls are correct, Galaxy's timing could hardly be better.

With lithium long used in consumer electronics and, in smaller quantities, antidepressants, excitement around the sector has been building on expectations that its use in hybrid car technology could see it seriously re-rated as car companies move to tap the new green market. Lithium carbonate is the main component of many of the rechargeable batteries used in electric cars.

Research from Pike Research says the lithium-ion battery market will be worth \$US1.1 billion worldwide by 2018. Other estimates suggest demand will treble over the next 10 years.

The major stumbling block to this theory is that lithium is not exactly scarce, with big deposits found worldwide, either in brine lakes (Chile, Argentina, US, China) or hard rock deposits (WA, Canada, Finland, Zimbabwe).

But Galaxy is hoping it can benefit from early-mover advantage because, despite a growing global and local interest in lithium, it has one of the few well-advanced new projects. Mt Cattlin is also fully funded, thanks largely to a deal with China's Great Group.

Galaxy's nearest WA rival for a new mine (excluding Talison Minerals, which has a producing lithium mine and processing plant at Greenbushes, south of Perth) is Reed Resources, which last week struck a deal with Peter Wade's Mineral Resources to fast-track its Mt Marion project between Kalgoorlie and Kambalda.

Reed is also targeting production in the third quarter of next year, though it still has plenty of red tape to get through, including a

final decision to mine.

Internationally, ASX-listed Orocobre is active in Argentina, while other likely projects exist in Nevada, Quebec, Tibet and Bolivia. Bolivia, in particular, is estimated to have as much as half of the world's lithium deposits and the Government recently announced plans to establish a significant lithium industry within five years.

Lithium found in hard rock minerals (as it is for Galaxy and Reed) is mined via open pit or underground mining using conventional methods. It is then processed and concentrated into (again in Galaxy and Reed's case) spodumene concentrate.

That concentrate can be sold as is or turned into lithium carbonate, which requires a purpose-built downstream processing plant but is more expensive and sought after.

For this reason, Reed and Galaxy plan to produce lithium carbonate, although it will mean the concentrate is likely to have to be shipped out of WA to a second location before being sold on to customers.

Galaxy, for instance, will mine Mt Cattlin by open cut, with the ore to be crushed, screened and processed at its WA minerals plant into spodumene concentrate. It wants to produce 137,000 tonnes of concentrate a year.

The concentrate will then be shipped out through Esperance port to Zhangjiagang port in China and a chemical plant in Jiangsu province, which will turn the concentrate into 17,000tpa of lithium carbonate. The final product will be sold to customers in China, Japan and Europe.

Galaxy's plant may also be used to treat ore sourced from Mongolia and Kazakhstan, with the company recently signing a deal with junior General Mining Corporation to explore for lithium in those countries.

General Mining, meanwhile, has lodged an \$8 million prospectus with the ASX and hopes to list next month in what should prove a fresh test of investor appetite for lithium.

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Ready to go: Galaxy will mine Mt Cattlin, at Ravensthorpe, by open cut.