

The “unstoppable” Galaxy Resources, bullish about global lithium demand

An outstretched hand is often bitten; unless that hand belongs to Galaxy Resources Limited (ASX: GXY) (“Galaxy”), in which case it apparently gets filled with cash. Since the first lithium shipment left its Mt. Cattlin spodumene project only last month, Galaxy has moved to advance its South-American brine deposits, raising A\$61m in a massive show of confidence.

It’s really no surprise that people would slam bets down on these guys; they just get stuff done. Despite 240mm of unseasonal rainfall in the second week of February causing minor damages and a two-day shutdown, production rates were entirely unaffected and the second 15,000mt shipment is expected to depart Esperance Port for China any day now.

The processing plant has already reached 90% of nameplate throughput, with a peak feed rate at 95% of design. By the end of this month, Galaxy expects to have met its stated nameplate design of 210tph of processed material. It’s this sort of smooth running in spite of hiccups that drives confidence in the company; in some countries, snow stops trains.

Their planned developments in the lithium triangle of Latin-America have attracted considerable interest, not surprising since the region Galaxy is meddling in produces 60% of the world’s lithium. Galaxy’s Sal de Vida lithium and potash brine project in Argentina is a large salt flat, or salar. The salar lies approximately 1,400 kilometres north-west of Buenos Aires at an altitude of 4,025 metres and is accessible from the city of Salta. A Definitive Feasibility Study has already been completed on the property, concluding that Sal de Vida has the potential to generate total annual revenues in the region of

US\$215m.

Galaxy's capital raising was primarily to advance the Sal de Vida project as well as their lithium pegmatite project in James Bay, Quebec. The capital raising was significantly oversubscribed, with support shown by both existing shareholders and new investors. The Sal de Vida project in particular has excellent potential as a low cost production facility; Salars, essentially dry lake beds, are so expansive that all processing equipment can normally be housed on site. Drying out a brine pond takes quite some time as it can only be done naturally, and not having to haul massive volumes of liquid down mountains is a logistical win.

The company is expecting significant cash flows from Mt Cattlin, with initial offtake prepayments of US\$13.5 million already received. The strong demand for the recent share placement confirms that people really believe in the way that Galaxy have spread their bets. This particular set of assets, owned by this particular company, as they exist today, is a prime choice in the lithium game, and everyone seems to know it.

Lithium compounds are an essential cathode material for long life lithium-ion batteries used in hybrid and electric vehicles (EVs), as well as mass energy storage systems. Galaxy has always been bullish about the global lithium demand outlook and is set on becoming a major producer of lithium products. The market shows no signs of slowing, and EV demand over the coming years is still driving investment in this sector.

With full pockets and projects in three continents, it is almost certainly going to be a busy year for Galaxy Resources. The Australian company has grown in many respects over the last couple of orbits, and they continue to play a well-focused and hard-working game.