Event Transcript

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Start of Transcript

Operator: Ladies and gentlemen, thank you for standing by, and welcome to the Galaxy Resources Limited September Quarter 2019 Results Conference Call. At this time, all participants are in a listen-only mode. After the speaker's presentation, there will be a question and answer session. To ask a question during the session, press star 1 on your telephone. I must advise you that today's conference is being recorded. I'd like to hand the conference over to your first speaker today, CEO of Galaxy, Simon Hay. Thank you, please go ahead.

Simon Hay: Good morning, everyone, and welcome to the call. Joining me today is Alan Rule, CFO. I'll lead the call this morning reviewing the Company's activities for the quarter, as well as an outlook for the immediate future. Our September Quarterly Activities Report was released to the ASX this morning and is available on our website.

Before we begin, a reminder that today's discussion will include forward-looking statements that are subject to various risks and uncertainties concerning specific factors. Information presented represents our best judgement based on today's information. Actual results may vary based on these risks and uncertainties.

Firstly, onto sustainability and activities for the third quarter. Broad sustainability and CSR considerations are especially pertinent as a value chain participant in the electric vehicle industry. Key stakeholders within the industry, from customers through to investors place a high priority on these matters. To that end, Galaxy has appointed a leading international environmental consultancy to assist in the development of a comprehensive sustainability strategy for the Company. Currently working on our first sustainability report, and we expect to release that in Q1 2020, and that will reflect 2019 performance metrics.

On safety, pleasingly, our operational mine at Mt Cattlin remains LTI-free since operations were restarted.

With regard to community engagement in the broader Ravensthorpe region, Galaxy has been undertaking initiatives to provide local groups the opportunity to apply for funding to purchase and install solar panels and battery storage technologies at public facilities. We have some successful applicants, and we've now moved into the installation phase for this community support project.

In Argentina, an environmental permit has been extended for a further two years at Sal de Vida, which is the standard period of permission. For clarity, this is the main permit for the operational phase, and we have permission to start operations under this permit. Of course, there's a range of other more functional permits that are required, but there are no permitting holdbacks to that project at the moment.

Further in Argentina, based on our commitment to engage with and work together with local communities, we've agreed a two-year CSR program with the Government of Catamarca. On the ground work has begun on the upgrading of a school facility nearby to Sal de Vida that's in the village of Antofagasta de la Sierra, the first of three agreed projects.

Also, in regard to Argentina, this week's upcoming federal election is a key event for the country. It's expected that the Peronist candidate Alberto Fernandez will be elected president. Galaxy attended a briefing of mining CEOs conducted by Mr Fernandez in August, where he discussed his preliminary plans on economic management, specifically as it related to the mining industry. It was quite interesting and pertinent that he singled out the lithium sector as an area for general support. We view this initial engagement as a positive indicator for Argentinian mining. Should Mr Fernandez win, his regime has acknowledged that the country needs hard currency to meet its debt obligations. Thus, its exports, particularly minerals exports among them, are going to need to remain a necessary part of his economy and economic plans.

Galaxy has a very good relationship with the provincial government officials in Catamarca, and this was reaffirmed at my recent meeting with Governor Corpacci. They remain highly supportive of mining within the province and are pushing Galaxy to develop Sal de Vida. We view the combination of these federal and provincial matters as highly encouraging for the development of Sal de Vida, and I'll talk more about the technical side of that project later on.

Turning to Mt Cattlin, Q3 2019 was a strong follow-up quarter to the record-breaking Q2. KPIs related to production volumes, product quality and unit operating costs were on target. Mt Cattlin had a total production output of 50,000 tonnes for the second quarter in a row, which is a record for us. It brings total production year to date to 148,000 dry metric tonnes and puts us on track to make the previously provided guidance range of 180 to 210 kilotons.

From a mining perspective, total material mined during the quarter was consistent with the first two quarters of the year. Ore mined was up 23% quarter on quarter. Some of the key activities which enabled this increase included the completion of the Ravensthorpe Creek diversion project, and an increase in the size of mining benches. Combined with two open mining faces, operations are now a lot less restricted, and we've seen the utilisation of surface mobile equipment move in line with this. Galaxy continues to work with the mining contractors in order to further advance their operating methodologies, and we see increased opportunity to improve fleet utilisation further, which will be significant in light of the future operating plan being considered. Again, more about that later.

On processing, 454,000 wet metric tonnes of ore were processed during the quarter at an average head grade of 1.18% lithium oxide. Record monthly throughput was achieved in August. The grade of final product was 6% and we were able to hit this consistently, which is an important factor for our customers. Recovery, however, was 57% and slightly below budget, which was a function of a number of variables, including the higher selected final product grade, a small batch of ore within our mining zone which had a high concentration of basalt and affected operations for a week or so, and underperformance in the backend optical sorter.

On the optical sorter, a series of optimisation works were undertaken during Q3 to enhance overall performance, and this impacted utilisation of the sorter. The main changes that were made included repositioning of the optical camera and improving the presentation of feed material to the sorter. Enhanced performance of the sorter will increase the rejection of basalt from product, allowing us to process a slightly dirtier concentrate right up to the optical sorter, and then upgrading the product at the final stage. This will improve plant recovery as we complete the optical sorter projects.

Galaxy is also well advanced on a project to install optical sorters at the front end of the plant. This will allow us to sort contaminated ore at the front end, including stockpiled material which has been previously mined. This acts to improve total recovery from pit to product, and further de-bottleneck the plant.

Shipment volumes for the quarter were 58,200 dry metric tonnes, marginally below the guided range of 60 to 70 kilotons. This was a very significant increase on Q2, as we expected. While this improvement in shipping volumes was pleasing, as we discussed on the half-yearly call, following our most recent trip to China, it's pretty clear that a number of converters in China have excessive stockpiles of inventory and utilisation levels of conversion operations remain quite subdued. The pace at which these stockpiles can be worked through is going to be the key factor impacting shipment volumes in Q4. Considering this, we've stated that the target shipment volumes for Q4 are 30,000 to 40,000 tonnes.

Free-on-board production costs for the quarter were US$387 per dmt, reinforcing Galaxy's position as a low-cost producer of high-quality spodumene. Cost pressure remains a significant factor facing the industry, and cost reduction initiatives continue to be pursued strongly at Mt Cattlin. We've undertaken a review of all key contracts, including operational and sales and marketing agreements, and have identified several potential sources of cost reduction. Pleasingly, the response of contractors and contracting partners to the negotiations has been positive, and we've already realised some savings.

On the outlook for Mt Cattlin, despite this consistent and stable operational execution at Mt Cattlin, which has been very pleasing, the weakness in the current market means that Galaxy must continue to employ a high level of production and cost discipline. As stated in the release, Galaxy has undertaken a review of Mt Cattlin operations to determine the optimum scale of those operations for 2020. The key drivers we're looking at are to ensure Mt Cattlin continues to produce a positive cash flow, preserve resource life for an improvement in market conditions, and to maintain our strong balance sheet capacity throughout that time, enabling development of our resource portfolio.

While the review is not yet final, the expected outcome is that mining operations will be scaled back, with total material mined in 2020 to be reduced by approximately 40%. This will allow us to save a substantial quantum of operating expenditure. Plant throughput will not be reduced by the equivalent amount, as stockpiled ore will be co-treated through the implementation of the front-end ore sorter project that I've previously discussed. We estimate this should enable us to maintain production at approximately 75% of the current rate.

These production volumes for 2020, plus our existing product stockpiles are expected to be sufficient to meet the requirements of our customers in 2020. Our customers remain supportive, and we intend to continue to service their needs. We're not laying off staff, and we're continuing with our contractors to enable flexibility in case of demand recovery. Operations under this plan can be quickly and easily ramped up, should Galaxy's customers, or the market more broadly, require that.

Mt Cattlin fixed costs make up approximately 15% to 20% of total costs. We are quite a variable cost operation. Thus, operating expenditure will reduce largely in line with reduced operating scale. Combined with the reduced quantum of mining costs, improved mining efficiency, the treatment of ore for which mining costs has already been expensed, and the cost saving initiatives underway, we forecast that operating costs will remain at a level that allows the project to generate a positive cash margin, even at current prices.

There will be minimal capital expenditure, predominantly sustaining capital. Preservation of the balance sheet capacity affords Galaxy the ultimate flexibility in handling the current market conditions, as well as the ability to continue to invest diligently in our growth pipeline, which is quite a unique position compared to our peers.

On Sal de Vida, development work on this world-class brine asset is gaining momentum, and it's coming together quite nicely. Throughout Q3, efforts were primarily focused around advancing the dual stream test work program. On the base case optimisation component of this work, work is well advanced, and results are highly encouraging. Subject to some final analysis, we've identified several ways to simplify and optimise the process route. These enhancements include a lower grade of evaporated lithium, meaning fewer ponds and a shorter evaporation cycle. Reduction in the number of processing steps, leading to lower CapEx, and lower requirements for reagents, lower overall OpEx, and on the quality side, battery grade is certainly possible, all our test work is showing that.

At the same time, work related to understanding alternative technologies is nearing completion, which will allow us to determine which individual technologies are worth pursuing further. We expect to finish this stage of work imminently, with the updating of OpEx, CapEx numbers from last year's feasibility study, and an updated timeline for development, importantly. Early numbers and the timeline are looking very positive, and it's our intention to provide an updated project plan for Sal de Vida later in Q4 at the conclusion of this stage of work.

Onsite works continue, upgrade of the camp has commenced, and construction activities on the upgrade of the pilot plant will commence in the next few weeks. Piloting at Sal de Vida will be the next extension of the test work program and will be used to validate operating assumptions on the enhanced process flowsheet.

On James Bay, feasibility work progressed as planned throughout the quarter. Preliminary design and costings of the concentrator and associated infrastructure are now undergoing comprehensive review and a value engineering stage for further optimisation of this project. In the meantime, phase 2 test work for downstream lithium conversion continues to progress. The pyrometallurgy and purification portion of the test work is being completed by Hazen Research, and is expected to be knocked over this quarter. Work related to the hydrometallurgy portion of the flowsheet, being performed by SGS Canada, will begin in Q4, this quarter. ESIA initiatives continue, led by our in-country team, as does the IBA negotiations with the Cree Nation.

From a financial perspective, the key one-off item to be aware of in Q3 was the purchase of the Alita debt facility for US$31 million. This was funded by the drawdown of an existing corporate debt facility. Cash on hand at the end of the quarter was US$169 million, and debt was US$32 million.

In regard to the market, as previously stated, the current state of the lithium market - both spodumene and lithium chemicals, that is, remains subdued. Performance right throughout the lithium-ion battery supply chain has been soft as a result of both industry and macro factors. The key industry factors in Q3 were largely demand-driven. Global lithium consumption was lower than anticipated, weakness in Chinese NEV volumes was a function of an industry adapting to the lower subsidies, as well as significant discounting in internal combustion engine vehicles that no longer complied with the stricter China VI emission standards. Full year EV production volumes across the globe are still expected to achieve double-digit percentage growth year on year.

Key supply side pressures remain in over supply of lithium materials and excessive inventories that need to be worked through, particularly within the spodumene value chain. Drawdown on this inventory and restoration of more normal levels is anticipated to occur in Half 1 next year. These market conditions have largely informed the rationale behind the scale optimisation work being completed for Mt Cattlin. Galaxy is an existing low-cost producer with an established customer base and a strong balance sheet. Operating cost discipline will be enforced to protect the integrity of this balance sheet and allow Galaxy to invest in our very prospective development pipeline.

So, with that, Operator, I will hand it over for questions.

Operator: Thank you, Simon. Ladies and gentlemen, we will now begin the question and answer session. If you wish to ask a question, please press star 1 on your telephone, and wait for your name to be announced. If you wish to cancel a request, please press the pound or hash key. Your first question comes from Nick Herbert from Credit Suisse. Please ask your question.

Nick Herbert: (Credit Suisse, Analyst): Hi, good morning, Simon. A few questions from me, please. I might just start on Cattlin. Just wondering how much material - that stockpiled material do you have and at what grade is that? Then just thinking about recoveries for next year, what impact do you think that material will have on your recovery rates? Were you suggesting - I missed the comment - were you suggesting that the front-end optical sorter would negate any impact on recoveries from that lower grade material?

Simon Hay: Yes, thanks, Nick. The amount of material we have already mined is about 1.2 million tonnes. The grade is between 0.8% and 0.9% lithium. We have - the recoveries, no, we're not expecting a major change from where we are right now. The front-end ore sorter will enable that the grade that actually goes through the plant to be upgraded to approximately the grade that we're mining ore at, at the moment, i.e., 1.1% lithium. So, the front of the plant won't see much of a difference at all, and then the normal recovery efforts throughout the plant will continue. So, no, we're not expecting a major difference in recovery for next year.

Nick Herbert: (Credit Suisse, Analyst): Okay, great, thank you. Then just looking at your unit costs that you reported for September quarter, how much do we need to add to that between royalties, sales costs, and sustaining CapEx to get to a representative of what an all-in cash cost basis would be for the period and then, just broadly, what are you thinking about in terms of a sustaining CapEx rate that we can assume in 2020?

Alan Rule: Nick, it's Alan here. The royalty is - the state royalty we pay is 5% of sales revenue. We've got a marketing fee which is 5% of the sales revenue price. CapEx, during this period, we spent a bit of CapEx on the creek diversion at Mt Cattlin, so year to date we've spent about 8 million on CapEx. Going forward, our sustaining CapEx at Cattlin, we expect to be around about 2 to 2.5 million a year.

Nick Herbert: (Credit Suisse, Analyst): Okay. That would be it to get to that all-in basis?

Alan Rule: Yes. One of the things I think you need to look at going forward into next year, is trying to consider where our cash costs are going to be, and the confidence we have that our cash costs are going to be at or around current levels. When you look at the contaminated ore stockpiles, approximately 25% of throughput next year is going to come from these contaminated ore stockpiles. So, there's no mining cost associated with that contaminated ore stockpiles. If you look at our all-in cash costs that we've disclosed, around about 45% of that is mining costs. So, there's a substantial portion of benefit that we're going to have in our cash costs for next year, as a result of the contaminated ore stockpile mining costs that will not flow through into the costs for next year.

In addition, at least 75% of our costs this year are with contractors, and they are directly volume-based. Mining costs, crushing costs, transport and ship loading costs. On the face of it, it is not a linear calculation. There is not a substantial portion of fixed costs, and we're going to benefit significantly in the mining costs next year, around 25% of the throughput is going to carry no mining cost. So, we remain confident that we can maintain the low cash unit costs.

Nick Herbert: (Credit Suisse, Analyst): Yes, got it, thank you, that's very helpful. Then that brings me onto prices. No disclosure, obviously for the September quarter. Are you able to provide any comment there, and your expectation around where that price is at the moment and what you're looking for for the December quarter, and when you expect to get some visibility on prices into Q1 next year?

Simon Hay: Yes, Nick, as you know, at the half we guided price at the mid to low 500s, and it's safe to assume it's at the low 500s at the moment. Realised price for Q3 was in that order. For Q4, we're in the middle of negotiations now with customers, so I wouldn’t like to reveal too much. It is quite commercially sensitive. For next year, we - I doubt we'll get any sort of indication until probably the end of this quarter. So, probably more into January, with the Chinese New Year, of course, meaning not a lot of activity in January.

Nick Herbert: (Credit Suisse, Analyst): Okay. Great, thanks, guys.

Simon Hay: Thanks.

Operator: Your next question comes from Rahul Anand from Morgan Stanley. Please ask your question.

Rahul Anand: (Morgan Stanley, Analyst) Hi, thanks, Simon and team. I might start with recoveries. I know Nick was talking about that earlier. I just want to reconfirm, so your target's still for 60% next year, is that correct?

Simon Hay: Yes, that's right, Rahul.

Rahul Anand: (Morgan Stanley, Analyst) Okay, and that's still achievable with the ore sorting and contaminated stockpiles?

Simon Hay: Yes, that's right. We're not comfortable where we are right at the moment with recoveries. We've still got a number of projects underway to improve recovery. We've got density control upgrades on the primary and secondary

DMS circuits. We've got some improvements around fine basalt rejection in the [mag] circuit. Optimisation around Ferrosilicon upgrading, and also, in the mine, as well, I talked about - we had some basalt contamination that got through to the plant. We're looking at procedural improvements where we can prevent that basalt getting into the plant in the first place. So, a number of projects still underway to improve recovery. But right at the moment, yes, our target for next year is 60%.

Rahul Anand: (Morgan Stanley, Analyst) Okay, brilliant. Just coming back to the markets for a minute. Previously, your product has been preferred to others mainly because it was more coarse. Can we perhaps get an update on that part of pricing, perhaps, and are you seeing some other players being inconvenienced, I guess, by the price and supply and demand dynamics and your product being favoured to theirs? How have you seen the market develop around that?

Simon Hay: Yes, Rahul, that's - I think you're pretty much on the money there. Not having a flotation circuit and being able to produce a coarse product does give us a lot of advantages. I think most of the converters are able to take a coarse product, whereas not all of them can take a really fine product. In regard to premiums, I wouldn’t say that we will achieve significant premiums at the moment, it's more about sales, securing the sales is the key for us. Again, you are right, we do see a significant advantage in being a coarse spodumene supplier.

Rahul Anand: (Morgan Stanley, Analyst) Okay, and then just finally, in terms of next year, should volumes come back, the ramp-up times are very quick? Is that fair to walk away with, in terms of the takeaway here?

Simon Hay: Yes, absolutely. That's been one of our guiding principles of doing this scale-back operation, is that we remain ready to act very quickly. So, we'll retain all our staff, the contractors will be engaged. It will be a matter of warning the contractors and getting them to scale up. If it's just utilisation of plant, no problem at all, that can - you can flick a switch. There may be some extra mining equipment that would be needed. Crushing and drilling equipment will already be on site. So, it's really just the mining contractor, ramping them up. That's a key focus of this renegotiation, is maintaining that ability.

Rahul Anand: (Morgan Stanley, Analyst) Understood. Okay, thanks a lot for that, I'll pass it on.

Operator: Your next question comes from Harsh Bardia from Citi. Please ask your question.

Harsh Bardia: (Citi, Analyst) Hi, Simon and Alan. Just a quick question on Sal de Vida. Thanks for providing that overall political situation in Argentina. Basically, what I understand that later this quarter we'll get some update numbers on Sal de Vida. How do you factor in the inflation and devaluation - peso devaluation that impacts your project economics and planning? Is there any trade-off between OpEx and CapEx when you think of, in terms of planning Sal de Vida?

Simon Hay: Thanks, Harsh. In regard to inflation and devaluation, they largely track each other. They do diverge here and there, but over time, they do converge. We don't see it as a major issue. A lot of our costs will be in pesos. Of course, there will be many individual items that will track US dollars. But most of our labour, a lot of the reagents will be in pesos. So, we don't see that as a major issue. In regard to a trade-off between OpEx and CapEx, not so much. I think it's mainly - on all the flowsheet decisions that we're taking, they are very much technical based. They're based around recoveries, they're based around operational costs, not so much trade-offs coming into it as a key determining factor.

Harsh Bardia: (Citi, Analyst) Thank you. Just quickly on Alita - I know it's still going through that process, but any potential options in terms of synergies and customer optics that you are thinking of, or is it still a bit early?

Simon Hay: It's still a bit early. The whole process still has a number of steps to go through, probably six or eight weeks from finalisation. The synergies with product and customers, we have talked about in the past. They are quite apparent to us and pretty obvious. We have spoken with a number of ex-Alita customers, and we're in negotiations with those about sales. They are - those discussions are tracking quite well.

Harsh Bardi: (Citi, Analyst) Thank you, I'll pass it on.

Operator: Your next question comes from Warren Edney from Baillieu. Please ask your question.

Warren Edney: (Baillieu, Analyst) Hi, thanks very much. I just wanted to clarify, in terms of your comment in the quarterly about contracted customers for 2020, do I take it that it's - that you've got contracts for 75% of the 200,000 tonnes, or is it just more a matter of whatever they end up asking for?

Simon Hay: Yes, Warren, we do have contracts, and at the stage of the industry in China, our customers are struggling along with the rest of the converter industry. So, we're working with our customers on volume and timing. Those customers are very committed, and they certainly want to uphold their end of the contract. In general, they're very good customers. But we are working with them on volume. Yes. Go on.

Warren Edney: (Baillieu, Analyst) There is a bit more downside, then, potentially, depending on how the market goes, or how the customers go in terms of clearing the stocks that they've currently got?

Simon Hay: I think clearing of the volume is absolutely key, to first of all, price recovery and a strong look ahead on volumes. But we can't see these prices and this rate continuing forever. We certainly expect an uptick in 2020. We are quite positive about volumes for next year.

Warren Edney: (Baillieu, Analyst) Okay. I just wanted to clarify something on the stockpiles. The stockpiles are stockpiles of ore, not stockpiles of old under spec concentrate as well, or anything like that, that might impact your product quality?

Simon Hay: No, no, definitely ore, predominantly high-basalt, therefore, removing that basalt at the front end enables that ore to go through as per normal ore. It hasn't been processed already. It's just, essentially, low grade ore.

Warren Edney: (Baillieu, Analyst) Thank you. That's fine.

Operator: Your next question comes from Reg Spencer from Canaccord. Please ask your question.

Reg Spencer: (Canaccord, Analyst) Thank you. Good morning, Simon and Alan. Just a follow up question on how you plan to treat the cost of that stockpiled material - sorry, the - yes, the stockpiled material. Presuming that material would have been capitalised, does that mean that you may make an adjustment to your reported cash costs, like an ore inventory adjustment or something along those lines, by bringing that back to account? Just wondering how you've treated that stockpile in the past.

Alan Rule: Reg, all of those stockpiles have been expensed.

Reg Spencer: (Canaccord, Analyst) Oh, they have, okay.

Alan Rule: So, there's nothing sitting on the balance sheets. It's a clear flow through benefit for us.

Reg Spencer: (Canaccord, Analyst) Okay, great. Just on your - just on pricing. Thanks for those little pointers, Simon, on pricing outlook. In the September quarter, were there any shipments that occurred late in the period such that the revenue received from those fell after the period? I'm just trying to reconcile cash balances versus pricing.

Alan Rule: Yes, Reg, shipments late in the quarter, proceeds only received after quarter end.

Reg Spencer: (Canaccord, Analyst) Okay, are you in a position to quantify what that differential would have been?

Alan Rule: It's about 10 or 11 million.

Reg Spencer: (Canaccord, Analyst) Okay, understood. That's perfect. Just one final question on the markets. I'm sure we've all been watching this market close enough to know that there are inventories that have built up in the supply chain. Based on your understanding of current market conditions, have you got any comments, or what might your understanding be around those inventories and whether or not they are weighted more in the lithium concentrates or in lithium chemicals?

Simon Hay: I think - pardon me, Reg, sorry. I think probably more in the concentrate. More at the front end of the value chain. We do see some inventory throughout, but I think the biggest amount of indigestion is right at the front end.

Reg Spencer: (Canaccord, Analyst) Okay, and lastly, Alita - acknowledge your comments that it's a little bit too early to call here, but as more high-level strategic, what would be your preferred outcome here? Obviously, you purchased the debt, so you are interested in the asset, and as you've outlined, there are some potential synergies on a medium to longer term view. If there was a bid for the project during this process, would you be happy just to get your cash back, or do you really want to get your hands on the asset?

Simon Hay: Reg, there's a lot of options. It is too early to provide an answer. We are in a very good position, as you say, getting our cash back is an option that we'll certainly look at if the - if we think that asset doesn’t meet our medium to long term requirements. We have ultimate flexibility there.

Reg Spencer: (Canaccord, Analyst) Okay. Sorry, just one very last quick question. Reduction in material movements for next year, are they proportionally equal between reductions in ore mined and waste mined? Is that a - I'll make it easy for you. What's do you think the strip ratio might be next year?

Alan Rule: Yes, Reg, the strip ratio for next year will be the same as the year to date strip ratio, so the pro rata should be the same.

Reg Spencer: (Canaccord, Analyst) Okay, great, understood. Thanks very much guys, appreciate it.

Operator: Your next question comes from [Levi Spry] from JP Morgan. Please ask your question.

Levi Spry: (JP Morgan, Analyst) Yes, good day, guys. Just on the markets and your pointing to first half next year recovery, can you just flesh out some of the assumptions behind that? So, obviously, the inventories at the front end of the converters, what else are you basing that on? Could you just flesh it out a bit for us?

Simon Hay: Yes, sure. It's - a lot of it comes through from our customers, so, they're talking about the order book that they're experiencing, and the inquiries that they're receiving from further down the value chain, all the way from the battery producers. That's the main one, for us. It's direct indications from our customers. Of course, on a macro scale, there's very positive stories on a daily basis coming out from the EV industry about the conversion of ICE to EV and new EV models. Lexus was the latest to say they'll have an EV model for every car in their range, as of - I think that came out yesterday. BMW are looking at taking their purchasing of minerals - their procurement strategy all the way through to minerals. So, you can certainly see through on a macro scale, that EV thematic is still there. The recovery, as we say, we get more from direct interaction with our customers, that we meet with on a very regular basis.

Levi Spry: (JP Morgan, Analyst) Yes, okay, thanks, guys.

Operator: Your next question is a follow-up question from Rahul Anand from Morgan Stanley. Please ask your question.

Rahul Anand: (Morgan Stanley, Analyst) Hi again, Simon. Just a couple of quick ones. The 1.2 million tonne stockpile, you flagged at 0.8, 0.9 was the lithium grade there, and you're going to ore sort it to 1.1%. What's the rough wastage of that - of those stockpiles? What is the sort of net stockpiles come to in terms of 1.1% grade? Or do you not lose anything out of that?

Alan Rule: The net equivalent that gets processed through the backend of the process plant is about 800,000 to 850,000 tonnes. [If that's] what your question was.

Rahul Anand: (Morgan Stanley, Analyst) Yes, okay, that's clear. Then the second part is around Sal de Vida, just looking at the evaporation strategies there. You've talked about potentially smaller ponds. Could you help me understand that a bit more, perhaps?

Simon Hay: Yes, Rahul, I'd probably defer that question about a month or so. We're planning to release a pretty comprehensive picture on Sal de Vida, most likely, late November, and we're still finalising much of the - or fine tuning OpEx, CapEx and scale. So, I would defer that question to then. But overall, it's looking very positive. We'll be able to report on a significantly improved project in all major metrics - recovery, CapEx, OpEx, timeline - yes, it's looking very positive. But we're just a month or so out before providing that detail.

Rahul Anand: (Morgan Stanley, Analyst) Okay, understood, no worries. Thanks.

Operator: There are no further questions at this time. I would like to hand the conference back to Simon. Please continue.

Simon Hay: Thanks, everyone, for your time today. Difficult market conditions, but I think Galaxy is well-positioned to come through this period. We've got a very solid plan for Mt Cattlin, which preserves asset life and keeps everything on - keeps operating costs at or near where they are today. We're flexible, able to ramp back up on customer needs, and Sal de Vida development coming to a very interesting stage. More to follow on that next month. Thanks again for your time today.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may all disconnect.

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