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Start of Transcript

Simon Hay: Welcome, everyone, to the Galaxy Resources Strategy update. Thanks for joining us both here in the room, and we have more than 100 people online, so it's good that we get started on time. I'll start with our disclaimer on forward-looking statements. A lot of what we're talking about today is certainly forward looking and work in progress.

To begin with, a bit of an introduction about myself, I've been in the minerals industry for over 25 years in a range of top tier producers and I often get asked, why did I join Galaxy, why did I leave the relative comfort of a good job with Iluka? It's worth explaining some of that, because it's certainly playing out in my first few months here with Galaxy. So with my experience, I was certainly looking to utilise that in developing new projects that had an international footprint, I wanted to join a new industry after 10 years in mineral sands, was looking for a company with cash and really good project base.

I was aware that in joining Galaxy in the lithium industry, lithium is plentiful. It's not scarce. It will be subject to cycles and that's exactly what we're seeing now. But the reason for joining Galaxy is that it had a tier one asset, that being Sal de Vida, that will be profitable. It's our job to make it profitable all the way through the cycle. So for all those reasons, I decided to join Galaxy and so far it's certainly proving to be exactly what I expected. Probably the downturn in the lithium price was a little beyond where I thought we would be, but we've certainly got the way forward to pass through this difficult period in the industry.

Before we get on to the strategy and talking about our projects in detail, I will just provide a few slides on the market. This one's on the long-term demand. That thematic remains very much intact. It's very much a very positive outlook for lithium over the long term. The top chart shows our demand curve for the next 11 years and it also includes a lot of work that's been put together by third parties, by analysts. It clearly shows 20% growth per annum for a decade. In that time period there's going to be the need for a lot of new development, a lot of projects need to come online.

Essentially you need to double supply every three to four years if you've got a 20% compound annual growth rate. EVs are of course the driver for that, but also, we're seeing growth in storage. An example earlier this week was the announcement by the South Australian Government to expand the Tesla battery facility at Hornsdale. We're seeing a lot of growth in battery technology. That's continuing to evolve on a weekly basis, seeing really positive stories. So that long term thematic is very much still in play.

The second chart is worth thinking about for a moment and then I'll come back to that a bit later on. That's the chart that shows the growth in the purification sector in China. It's a very small sector, but it's a growing sector and we intend in the first stage of Sal de Vida to sell into. You can see that growth of over 10% forecast for the next few years in that industry, and as I said I'll come back to that a bit later on.

On the short-term side, the overwhelming theme for 2019 has been the weakness in China. We've seen that play out since around May/June with the removal of subsidies on electric vehicles. We saw the discounting of internal combustion engine vehicles, the so-called, China 5 vehicles, the emission standards Level 5 that were phased out, as emission standards Phase 6 came in. So those vehicles that weren't compliant with Phase 6 were suddenly discounted. So you had removal of subsidies and you had discounting of old vehicles. Overlay that with slower growth, trade wars and it's really seen EV sales growth come off significantly June through to September.

That's flowed through to the battery makers, the cathode makers all the way up the value chain and with spodumene supply being in oversupply – plentiful. That has seen price pressure being applied to our products. We certainly expect this to be a short-term event. We expect it to correct probably around mid-next year. We are already seeing with a couple of our customers, their inventory levels coming down. Not quite, a green shoot, but it's certainly moving back towards where we would expect the inventory levels to be more normally. So short term weakness, long term demand still looks very solid.

What do we see coming up? Certainly, the rise of Europe and North America. 2020 is going to be quite a significant year in Europe. We're seeing 30 plus new EV models come online and these are top named brands and top named models that are being rolled out, such as the Golf, BMW X3, the Mini, Audi X4. So models that you see around the streets of Perth, Australia, well they're becoming fully electrified in Europe. So that will certainly be a demand driver for the years coming up.

In Germany recently we saw a substantial subsidy introduced for electric vehicles, around €5,000 per vehicle, and no wonder Tesla has now announced a mega factory to go into Berlin with all these European vehicles – EV models coming online. It's a smart move on their part to build a factory in Berlin. So increasingly we'll see the EV theme not being just China, it will migrate to other zones around the world, US as well. Tesla's talking about coming out with their electric pick-up truck shortly. They've just announced a, I think it's a cyber-truck they're calling it, yet to be formally rolled out but we can see signs that that's not too far away.

On the supply side, it's been a very logical response from many producers in West Australia in particular, on the hard rock side. A rationalisation of production in the face of slowing demand and reducing prices. We've also seen the deferment of projects, and we think that will have a whiplash effect down the track. When that growth kicks in, we won't have the new projects ready to supply that growth potentially. We think this creates space for Galaxy, particularly to get Sal de Vida up and running in the next couple of years. So while others are slowing their projects, we intend to commit to a smaller scale Sal de Vida to begin with, but to bring it online at a time where we think there will be this uptick in demand.

So, as I said, just a brief introduction or a brief discussion on the market. What we really wanted to talk about today was the new strategy that we're rolling out for Galaxy. Our corporate objective is to build a sustainable, large-scale global lithium chemicals business and the strategy initiatives that we're putting in place are all geared around meeting that objective.

I think Galaxy is well known to most of the people in the room, but a quick overview. We are a diversified lithium company with assets in Australia, North America and South America. We're diversified also across the product range having hard rock in production and brine in development. We have a very solid balance sheet, which differentiates us from a lot of our peers, and we're an existing producer. We've been in operation in the second stage of Mount Cattlin for three years now. We're well known in the market. Our marketing team and our product is well accepted in China and we have solid customers in high-end value chains. So that's just a quick snapshot of Galaxy.

I've been in the role for just over four months. As I came into it, my early observations were that the Company was well set up, the earlier sale of the northern tenements in Argentina, to POSCO, was a fantastic deal and those funds have really put the company on a really solid foundation. The Company is a small company, and if we want to grow and become an international producer, we need to grow our capability internally. That's certainly been the focus for me over the first four months. Some of the things we have achieved over that time period, we've implemented the strategic planning process, we've developed that strategy even further into a very detailed plan for the next 18 months on Sal de Vida, which I'll talk about in a lot more granularity. We have really taken a de-risking focus to that project.

We want to accelerate it, but we're also very mindful of the difficulties of operating in Argentina, of operating brine and especially for Galaxy, it being our first brine project we really need to be cautious and disciplined in the way that we execute that project. We've also commenced the sustainability program to take Galaxy to the stage where it's fit to be a global minerals business. Across the same period of time we had this Altia opportunity that came our way, that I'll again talk about a little bit later. We've done a lot of work over that, on that asset in the last four months.

The plan over this period of time has all been gearing around setting up Galaxy for this strong future and to leverage our skills and experience into those new assets. So an outcome of this work is this slide here, which is a really simplified, focused corporate strategy. It's been broken down into three pillars based around the time horizons of the immediate work, the short-term future – now focused on Sal de Vida and then the longer term growth opportunities. Those other growth opportunities – I'll talk a little bit about them today, those ones around James Bay and latter stages of Sal de Vida and Downstream. We continue to work on those, but clearly the focus is in those first two pillars around optimising Mount Cattlin for the current market environment that it's needed to operate within and developing and accelerating the Sal de Vida project.

Culture and values of an organisation are critical for creating a successful business. We've spent some time revamping our values. Over the next short while we'll be rolling that out to staff. Our aim is to entrench these values in the way that we operate and conduct ourselves around the globe. When you look at some of these, like respect and integrity, absolutely critical to be operating with high levels of those values when you go into new communities of Canada and Argentina. So a real focus within the company will come into those areas.

On the sustainability front, the Company has a lot of work to do as it moves from a one mine operation in Western Australia into a global company. Operating in the Puna in Argentina, which is an inhospitable climate, it's remote, it's pristine in many ways, so how we operate in that area, our sustainability program and capability really needs to be developed to operate successfully in that area.

On a safety front, our total recordable injury frequency rate is too high in my experience. In Western Australia you see numbers well below 10, and we have a recordable injury frequency rate of 16, as you can see, across the company. That's too high. So we certainly have a lot of work to do on the safety front. Pleasingly, those injuries, if you can find anything pleasing about it, is that they're low severity injuries. We're not having the high potential incidents that get people, like CEOs, really concerned. So we really need to work on the low-level injuries that we're experiencing at Mount Cattlin.

Again, to be a global company, you have to be very transparent around your performance on sustainability. To that end we'll be publishing an online sustainability report in the first quarter of next year. That will look at our 2019 performance, and will also project forward and outline our plans for how we're going to operate in Argentina. What else are we doing around the company. Pleasingly, already there are some good initiatives underway. We've got solar power in place at Mount Cattlin, providing augmented power to our diesel fired gensets. We have rehabilitation underway on the waste dumps at Mount Cattlin and we've got CSR projects, community projects, underway in Argentina. So it's not like we're completely starting from a zero baseline, we do have a lot of good things under way.

I'll now talk about Sal de Vida, which is really the centrepiece of today's strategy. Our plans for how we develop Sal de Vida have changed quite dramatically over the last few months. We released the feasibility study in the middle of last year and that had the projected output at 25,000 tonnes of LCE lithium carbonate equivalent, and a cost of around US$470 million. So a very large scale project all occurring in one go. However, with some technological breakthroughs around chemistry and around the flowsheet, we've been able to simplify that flowsheet, that plant, and in turn reduce cost.

It's also opened up the ability for us to stage the project. So rather than going together all in one go to 25,000 tonnes, we think we'll break it up into two or three stages. One of the benefits of doing that is that the overall cost for the first stage will be smaller and that we think at this stage it looks like we'll be able to self-fund that first stage. So not going to the debt markets, or other markets, for funds. One thing I will say is we are looking to sell down a portion of Sal de Vida. We're currently running a process to sell a minority stake in the project. We've talked to a handful of parties. We're well advanced in that process.

The way we're approaching this is we're looking for someone who can bring something to the table other than just cash. We're looking for potentially an offtake partner, someone with experience operating in brine and/or someone with experience operating in Argentine. Doubtful we'll get someone to tick all three of those boxes, but the parties we're talking to certainly tick one or more of the boxes. I think, most importantly, we don't need a partner, it's our preference to take one. So we'll take our time with this. We're not in a rush. We've got cash in the bank. So we'll be very selective in who we decide to go forward with on this really top asset.

So you can see these three boxes, a simple flow sheet, a significant change, the fact we've got a low-cost development now with a smooth capital profile and also that we're fully funded. What hasn't changed is that it's really good brine. Everything that we can see, our brine stacks up to be one of the best brines in the lithium triangle and we have a long project life of 40 plus years for Sal de Vida.

So a quick overview on the project. It's in the lithium triangle. It's in the Northwest part of the Catamarca Province. It's adjacent to Livent's Fenix Operations, which have been on the same salar for 25 years. They've been operating there very successfully, which gives us a lot of confidence. Well serviced with infrastructure. There's roads nearby, there is water available, there is a river that flows through our tenement. What we've done recently, we've got our senior leadership team in place in Catamarca. We've recruited a very experienced general manager to run the project and his team is in place. His direct reports have also been recruited, and again we've brought in a lot of experience into the company in the last recent while.

It's a 100% local team, we don't have any expats, which is very important for the locals. There are local content rules in Catamarca where more than 70% of your workforce needs to be local. We're well in front of that with our operating team, so that's very pleasing at this early stage of the project.

This slide gives you an overview of the new flowsheet, and I'll just take you through the main stages. So we have the well field, which hasn't really changed. Then we evaporate the brine in some ponds. This has changed significantly with the reduction in the final tenor that we evaporate the brine to. Previously we were going through the 2% or 2.2% lithium, now we're going through to 1.2%. So we've been able to shrink these ponds significantly.

The plant where we remove impurities, there has also been a significant reduction in capital here, and the final crystallisation circuit largely unchanged. In the first stage, we're going to stop at primary carbonate production, which is around 98% lithium and later on we will purify that in a separate project – a separate facility, which I'll talk about a little bit later. So there's many advantages of this flowsheet. This is the existing flowsheet, a five-step process, previously we had an eight-step process.

So the main advantages we see of this, it will be much simpler to operate with fewer steps. It will be easier for the operating team to hit their targets. That's really important, because operating at the Puna at over 4000 meters is very difficult. As I said, we'll evaporate to only 1.2% lithium, not only does that shrink the pond size, but it also speeds up that evaporation cycle. At the moment, if you go through the 2.2% that takes you around about 12 to 18 months, so we think we can get that down to six to nine months. With fewer steps in the process, recovery will also be higher because there are small losses as you go through each of the process steps. We'll also reduce reagents, again saving cost but also saving waste and disposal of reagent effluent. So many advantages of this new flow sheet.

Over this process development period of the last six months, we did look at a lot of new technologies. If you follow some of the other brine producers or brine development projects, they're talking about using solvent extraction and ion exchange. For some of those projects that's absolutely essential because of the impurities that they've got in their brine. Our brine is high grade and also low impurity. So we didn't have to use those new technologies, but in our assessment of them we also found that they were energy intensive and also water intensive. So that's why we've got a couple of red marks here on this chart.

Overall, when you look at our brine, where we're positioned in the salar and this flow sheet that we've got, we think our flow sheet is better overall than using some of these other new technologies. Also, the time to development. These new technologies, we think, would add another year to two on the development curve as we proved them up. So choosing a simple evaporation circuit, we think, is the most appropriate, the best financial outcome and the best environmental outcome for Sal de Vida.

Another change – a major change to how we'll develop Sal de Vida is through the staging of, and how we'll execute the project. So we plan to break the upstream circuit into two or three stages. So we won't go for 25,000 tonnes all in one go. That's still the overall size that we're aiming for, for Sal de Vida eventually, but the first stage will likely be half to a third of that size. That scale, we haven't yet worked out exactly what that number will be, because it depends on the size of the largest piece of equipment in the plant, and that's around the crystallizer.

So where we go to from now is we'll take our brine, we'll start working with the crystalliser manufacturers and we'll design a bespoke crystalliser for our Sal de Vida project. As I said, we do expect to break the stages into two or three and our plan is that we will build and operate and prove up Stage 1 before we move into Stage 2. So we would prove up that technology, the financials, the project in the market, ensure that the customers are happy with it, before we commit to Stage 2.

At the same time as Stage 2, we would build a purification facility. This would be to take that primary grade carbonate from 98% all the way through to battery grade at 99.5%.

Now the decision to go to primary carbonate grade and not battery grade initially has been made for a number of reasons. One is to reduce the capital, so we do not have such a big capital bill at the first stage. Secondly, it is technically very difficult to produce battery grade, that final step, at the Puna, at elevation, because of the use of gases and the lower atmospheric pressure. Thirdly, it enables us to really focus the project and the operating team on executing the early stages of the project. It just makes the commissioning stage simpler and easier.

And fourthly, we can actually sell primary carbonate quite readily. It is an existing market. I showed you that slide right at the beginning in the marketing section. It showed that there will be 100,000 tons of primary carbonate processing capacity in China in the next few years and we think adding or trying to sell 8,000 to 10,000 to 12,000 tons of that product in a few years' time will not be an issue.

We already know those businesses. We have known some of them for many years and we have shown them assays, we will provide them samples and early indications are very positive. They think they could purchase this material and convert it very readily and inexpensively into battery grade. They are already in this business. They are already taking product that is far inferior to what we intend to produce from the primary carbonate route, so we think that will be quite, not easy to sell, but we think we will be able to place it readily into the market.

Importantly, it is worth pointing out all our testing of both stages, the production of primary carbonate and then the production of battery grade from that primary carbonate has shown that we can make battery grade carbonate, lithium carbonate quite readily. We have met some very strict specifications. So again, sort of emphasising how high-quality the brine is in Sal de Vida.

Just a little bit about what is happening on site. We are ramping up our camp. We are installing extra modules at the moment. We are taking the capacity up to 112 people and that will be complete in the next few weeks. The first modules have already gone in and that bigger camp will enable us to get the labour in to line the ponds. We need to do that in a short weather window where the temperature is just right, where you can weld the plastic, so we will be doing that over the next few weeks. Then we will immediately go into filling the ponds. We have got some wells already in place; some production wells, so we will be testing the extraction of brine, we will be filling the ponds and we will be testing evaporation in the true operating sense over the Argentinian summer coming up.

We are also upgrading our pilot plant that we already have on site. We have got new equipment which has been designed to test our flowsheet, so we will be doing that again Q1, Q2 next year and we will be producing hundreds of kilos of primary carbonate for testing by customers. So, a lot of work ramping up on site and we will start to feed forward some of that in our updates in the coming months.

This is our high-level preliminary schedule of what the project looks like and where we started, we really started working backwards from what is possible and we would like to have product in the market as early as 2022 and that is because we want to be evaporating brine in the Argentinian summer of 2021, 2022. So to work backwards from that we need to construct, we need to fill ponds in late autumn, we need to be constructing ponds throughout the winter of 2021 and then we need to be designing before that.

So this is the key one for us, final investment decision, we expect to make this in the middle of next year, either Q2, Q3, somewhere around there and the inputs for that are all around refreshing the feasibility study, that is the feasibility study from 2018. We do not need to restart a feasibility study from the beginning because all we are doing is, we are subtracting equipment from it. So we are taking stages out, so that enables us to get this feasibility refreshed in a relatively short period of time, around about six months.

In that time period we will be confirming our operating cost and capital cost and we expect to have an update on that coming to the market probably around early Q2 and that is our key focus for the project team over the next short while. Along with all that work that is happening on site is all the engineering works around proving up the operating cost and capital cost.

So a pretty high-level schedule, but I think it shows the key elements that are coming up. It is certainly achievable for the project team to meet this 2022 first production to market.

A little bit on our execution philosophy. We have not yet determined our contracting strategy, but that will be again developed over the next short while about how we are going to build the project. FID we have got the elements there that we need to complete before we approve the project. You can see we have not put funding there. We think funding is settled and that the capital costs will be sufficient for us to sole-fund.

This slide just quickly takes us through how we have arrived at the CapEx numbers. As I said, updated costs coming through in Q2 and that will include some front-end engineering work, complete at that stage. We will complete all the front-end engineering before the final investment decision.

On the permitting side, we received approval, an extension for another two years in July this year for our environmental approval on site. That gives us the ability to complete all the current stage works and a two year program; two year approval is quite standard. That is all you ever get in Argentina. So even when we are in the operating phase we will still only get two year approvals. A lot of work still to be done on the other approvals, construction approvals, water extraction, energy will need some approvals, but they will be undertaken in the normal course of project development.

Just a little bit on benchmarking of Sal de Vida and where it sits. We think it sits pretty much in a sweet spot. If you look at this grade versus size curve, it is relatively high-grade, one of the highest grade brines in the lithium triangle, but quite a substantial size. So it has some really good advantages in the project.

Both these cost curves, this one is the Capital intensity cost curve and the one on the right, the operating cost curve. We expect that Sal de Vida will come in the lowest quartile for both those curves. We are yet to prove that up, but that is certainly what we will be doing over the next six months before FID, but our indications are that we will be around about this range, so at the top end of the lower cost quartile for capital intensity and for an operating cost, it will be difficult to be better than this one here, this is a very large hard rock producer, which is obviously Greenbushes, but we expect we would be nearby to them on the higher side.

That is our target as a project team and we will be certainly working towards that. It looks achievable. All the work that we have done to this date shows that we can hit those numbers. Let's prove it over the next short while as we really refine the capital and operating costs and all the inputs that derive those numbers.

Sal de Vida is in a pretty isolated location which has some benefits, some drawbacks. One benefit is we have very few near neighbours. We have one village, Cienaga La Redonda, which is around 20 kilometres from our operating site. There are two more sizeable villages, El Penon and Antofagasta de la Sierra, that are about 100 kilometres away and in all three of those locations we have infrastructure projects underway. Galaxy is funding those. They are government supported projects and we are certainly assisting also with project management for those initiatives. A lot of our workforce will come from those areas, Antofagasta and El Penon will both provide not just workers but contractors, maybe even businesses. So, absolutely critical that we remain on good terms with our neighbours. Also trucking routes will go through these villages.

We also have some softer initiatives underway. We certainly think we need to help build the capability of the region, so we are running a number of educational courses and we will certainly grow this over time, certainly around chemistry, trades, operating courses; these things will occur over the next few years as we move into recruiting a workforce. So we will continue to expand this program.

So the Argentinian political landscape has gone through a fair bit of change recently. First of all, I will talk about Catamarca. So Catamarca, the province that we operate within is generally very supportive of mining. There is a history of mining in that province which is unusual in Argentina. There are some provinces that are completely anti-mining, where there is no mining history. Catamarca is not like that. There have seen some large-scale mines in operation for over 20 years.

Galaxy has a very good relationship with the existing governor and also with many of the top regulators and bureaucrats. They are actually pushing us to go faster, which we are very happy about. At a federal level, there was an election a few weeks ago. There will be a change of government with Alberto Fernandez coming in. We are yet to really see what his policies will be. He has not announced anything. He has not appointed a Cabinet as of yesterday that I could see, but the early words coming from him have been quite positive. He knows Argentina needs export income. He has singled out the mining and oil and gas sectors for support, but he was very particular in mentioning lithium and the lithium industry in Argentina, that he needed to support that in its growth phase.

So indications are positive. We will continue to monitor the situation as he takes power and as he starts to bring in his new policies, but at this stage it is all we could hope for, very positive.

So that is it for Sal de Vida. I will just go through the other projects and operations a little bit quicker, because there is probably less news compared to those Sal de Vida developments.

A recap on Mt Cattlin. It is a stable operation. This year we have been hitting 50,000 tons per quarter regularly, or thereabouts. Our grade has been very consistent at 6% which is to meet customer requirements and our operating costs have been regularly under US$400 per ton. So it is quite a stable operation. Quite mature compared to some of our competitors who are still in their ramp-up curve; not yet hitting grade targets or production targets, but we do not share those problems are not with Mt Cattlin.

2019 has been a pretty successful year at Mt Cattlin. Many production records. After three quarters we have produced 148,000 tons of spodumene concentrate. Yield optimisation project was completed early in the year. Very successful. We are still working on one or two elements, but overall very positive and that has contributed to these really good results this year.

The focus on costs saw us hit sub US$350 a ton in some months; at US$387 a ton in Q3, and a lot of work has been going on recently into our major cost elements. Many of those are contract based and we have been working with our key contractors across the mining, crushing space, but also transport, shipping and marketing, and pleasingly we have got sizeable decreases in all those areas. So great support from our contracting partners and you know that is really enabling us to lower our costs.

Still with the soft market conditions, we have taken the decision to slow down our production in 2020. The mining plan and the operating plan are well developed, but not yet finalised, so we cannot reveal numbers today, but we are certainly expecting that we will reduce our mining production, our mining volumes moved by, around about 60% which will take a significant amount of cost out of the business. We won't reduce our final production of spodumene concentrate by that same amount because we will be bleeding in some contaminated ore that has already been mined sitting in stockpile. This ore can now go into the plant once we get some ore sorters installed at the front-end of the plant.

So we have had some success with our product ore sorter at the back-end of the plant. We intend to put an ore sorter at the front-end and that will help us eliminate some basalt from this stockpiled ore, enabling fresh ore to go in at a lot lower cost than freshly mined ore.

So we will advise our plans, these mining plans and operational plans at the usual time, when we provide guidance on the next quarter.

On the sales outlook, we are diversifying our sales. We have got some new customers coming on-board. We have got some that are outside of China, very pleasingly, great to diversify and not be completely reliant there. The discussions with our key customers for next year on their volume requirements are underway and the indications are that the volumes that they require we will be able to meet from inventory that we will carry over into 2020 and also from our production plans from 2020, this reduced output.

So overall, we would expect to match customer demands with our production rate and inventory draw-down. Again, we will provide more information on this as we complete some of these negotiations.

Also, very important, we are aware that the market can turn very quickly. In China they are trying to draw-down their inventory. They will not be purchasing above normal inventory levels for a period of time, but when the demand comes, which we expect to be mid next year, we expect the turnaround will be quite quick and therefore we will be maintaining the ability to fire up the plant very quickly and to ramp back up to full rates.

So on James Bay, a quick recap on this project in Canada. Hard rock spodumene project, 100% Galaxy owned. It is relatively low strip ratio of 4-1. It is good grade of around about 1.4% lithium in the ground. Close to good infrastructure. There is the main north south highway through the east of Quebec, it goes adjacent to the deposit and Quebec is a very good jurisdiction to be mining within.

Our strategy for James Bay is that it really needs to be an integrated project. It needs to be mine, concentrator and converter all in one area, and that is because of its location. It certainly makes sense from a transport and logistics point of view to do that, but also from the strategic location of being located in North America. Spodumene export certainly does not make sense from that location.

That makes it a very big project, and Quebec spodumene projects have a very chequered history. You know there are three projects underway that have been put into care and maintenance or curtailed midway through development. We are mindful of those problems. We are certainly going to take our time with James Bay. We are going to address the risks that are apparent in these other projects and our objective is to build a really robust development case for James Bay, robust technically as well as market wise and financially.

So our focus for the next short while on James Bay is in three stages. Value engineering, we really need to get the capital costs down as low as possible for this project. We need to consider the downstream conversion options. We will continue working with the Cree Nation in Quebec on negotiating an impact benefits agreement. We will continue the environmental impact assessment and we will certainly control our spend on the project. So we want to develop it, but there is certainly no timeframe that we will commit to at this stage with the focus on the front-end of the project really developing a robust project.

This is an interesting slide, it shows some multiples, it shows the enterprise value divided by the resource multiple for a number of similar projects. Our belief is this shows that James Bay is not valued at all within Galaxy's share price and over time we expect this will change as we prove up a development plan for James Bay and we will certainly provide some upside to shareholders over time.

Corporate activity slide. Really focused around Alita. I think as most of you know we purchased the secured debt in late August for that company and that was to give Galaxy a say in any possible restructuring of the company. Since then we have completed our own due diligence on the asset, on the mine plan, on the exploration upside, on the plant. We have determined what we think is a value of the asset and at the same time this has been going on we have been working with the administrator and with the receiver on the sale process to look at all the different options that are available.

It is coming to a conclusion over the next month or so. All options remain on the table. You know it could be a Galaxy proposal that is accepted, it could be a competing proposal that is accepted. If that is the case Galaxy's secured debt is paid out first, it would be paid out full, and the third option is liquidation, which probably looks a little bit unlikely at this stage, but it is still on the table. We will certainly provide an update to the market over the next short while as any of these developments come to a conclusion.

So just to finish, how is Galaxy going to build a sustainable large-scale global lithium chemicals business, which is our corporate strategic objective? It is through those three pillars, it is through a focus at Mt Cattlin on cost, on preserving the resource in this very difficult market period as it comes out of this trough in 2020, mid next year we believe. Sal de Vida, the focus is really moving onto accelerating the development of this project, of de-risking the project and really taking capital out at the early stages and bringing it to market as quickly as possible. Then all those other development options are still on the table around James Bay, around downstream, around Sal de Vida later stages.

So that is our strategy. We will be implementing that within our team from now on, really throwing a lot of effort at Sal de Vida, ramping up that project over the next short while.

So with that, thank you very much for your attention and I'll throw it open to questions. We have got people online as well as in the room; maybe we start questions in the room. Dan has got a microphone so that anyone with a question please put your hand up.

James Stewart: (Ausbil, Analyst) Just keen on customer engagement for next year's demands, so what are you seeing customer demand for looking like through calendar year 2020?

Simon Hay: Yes, thanks, James. Those volume indications look pretty positive, so our two main customers, we do not think they will be taking the full allocation that they have had in the past and that is why we have gone out to look for other customers. All up we already have probably more indication of volume requirement than our projected production for next year as well as our inventory.

So at this stage if everything came through we would be over-sold. If that is the case we would then ramp up Mt Cattlin readily, but you know we are taking a very cautious approach at this stage, so that is why we are ramping production down, and also we would say the indication looks like it will be an even spread across the quarters, except for the first quarter. We doubt we will get too many sales January, February with Chinese New Year, so if anything it will be, any Q1 sale will be more around March, but then Q2, Q3 and Q4 look to be reasonably consistent.

James Stewart (Ausbil, Analyst) Just wondering, who are you selling to outside of China?

Simon Hay: So they are Japanese, Korean type customers and they will toll through China. So the product still goes through China, through the Chinese converters, but the customers are in the Japan, Korea region.

John (Shareholder) My name is John, one of the minority shareholders. You stated that in your opinion you would be able to self-fund next year's activities. In your opinion, would you go back to market looking for more money?

Simon Hay: John, certainly not, not on the horizon. No. We number one, fund it from the balance sheet, number two a partial sell-down of the project will also bring in funds. That will certainly fund Stage 1, so we will not be going back to the market. Certainly no plans at this stage.

Okay? We do not have any questions online, so nothing else in the room. Thanks very much for your attention today. Thanks for coming along.

End of Transcript***