

Orocobre Limited Quarterly Activities & Cashflow Report - June 2015

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Brisbane, Australia (ABN Newswire) - [Orocobre Ltd.](#) (ASX:ORE) (TSE:ORL) are pleased to provide the company's quarterly report of operations and cashflow for the period ended 30 June 2015.

Highlights

Olaroz Lithium Facility

- Samples and sales orders have been supplied to a total of 32 customers, comprising 19 battery market customers and 13 industrial market customers.
- 126 tonnes of lithium carbonate product were produced during the quarter. The median values achieved for all the lithium carbonate production in May and June was 99.98% - 99.99% lithium carbonate.
- Rectification works to address the cooling issue "bottleneck" in the purification circuit to be completed within 3 months, in line with previous guidance.

Borax Argentina

- Challenging market conditions in Brazil resulting in decreased volumes, increased competition and price pressure.
- A new initiative to produce boric acid from hydroboracite has been successful, with estimated future savings of US\$200/tonne and an estimated reduction in maintenance costs. The current plant capacity is 9,000tpa and engineering studies are advancing on increasing production capacity by 20%.
- The relocated Tincalayu borax plant has been operating at nameplate capacity and has built some excess inventory. With the softer sales environment in Brazil, maintenance programs will be scheduled at Tincalayu in July with a resulting reduction in costs.

Corporate

- A\$32,300,000 Capital Raising to institutional and sophisticated investors completed.
- Orocobre subsidiary, Sales de Jujuy S.A. received ISO Accreditation for the Olaroz Lithium Facility.

Olaroz Lithium Facility

The Olaroz Lithium Facility is Orocobre's flagship project located in the Jujuy province of Argentina. Together with partners, Toyota Tsusho Corporation (TTC) and Jujuy Energia y Minería Sociedad del Estado (JEMSE), Orocobre is now operating the first large scale lithium brine plant commissioned in approximately 20 years. Although not containing components of inherent risk, the Olaroz lithium carbonate facility is a globally unique facility operating at high altitude, which has its own set of project specific challenges.

The Olaroz Lithium Facility joint venture is operated through Argentine subsidiary Sales de Jujuy SA (SDJ SA). The effective equity interests are: Orocobre 66.5%, TTC 25.0% and JEMSE 8.5%.

Production Update

126 tonnes of lithium carbonate product were produced during the June quarter. Production for the current CY Q3 September quarter is now anticipated to be 1,100 tonnes, slightly below the previous forecast of 1,200 tonnes. The completion of the debottlenecking work, the increasing quantities of concentrated brine

from September (the start of peak evaporation season) and the development of good operating practice are expected to facilitate a rapid increase in production volumes in the CY Q4.

It is expected that by October 2015, there will be sufficient quantities of concentrated brine to supply the plant at full capacity. At the end of the quarter, there was estimated to be approximately 30,000 tonnes (allowing for survey method measurement accuracy tolerances) of lithium carbonate equivalent at various stages of concentration, recoverable from the Olaroz pond system with the overall process recoveries expected to be approximately 75% with good operating practice. This inventory is expected to allow rapid ramp-up of production once the final plant issues have been rectified.

Nameplate monthly production run rate at the Olaroz Lithium Facility of 1,450 tonnes per month is expected to be reached during the fourth quarter of 2015.

The production ramp up has been slower than anticipated with 26 tonnes of saleable lithium carbonate produced in April, 44 tonnes produced in May and 56 tonnes produced in June. The shortfall in June production from the previously announced target of 100 tonnes was due to the decision to stop the plant in the latter part of the month to investigate lithium losses to both the ponds and the atmosphere. This included the emptying of all tanks and the undertaking of an inventory check of lithium in the circuit. A number of areas were identified and have since been ameliorated by improved operating practices, some minor engineering and in particular, work to improve sealing of the BEPEX drying and micronising/compacting circuits, where significant losses of finished product were noted both to the floor areas and especially to the exhaust systems.

As previously advised, production ramp up since February was impacted by a number of bottlenecks caused by both physical/equipment limitations and the ongoing development of effective operating practices. The majority of these bottlenecks have now been successfully rectified with remaining issues expected to be resolved in the next three months. The main remaining area for rectification is the cooling system in the purification circuit. As previously advised, the cost of this rectification is expected to be approximately US\$2m.

Work has also focused on improving performance of the polishing filters that remove calcium and magnesium in the primary circuit, with Outotec, the equipment supplier, visiting site recently to undertake tests. Modifications to PLC programming has resulted in significant operating improvements. Installation of additional piping and valves and further refinements to the PLC in the next two weeks will further enhance performance.

The Olaroz Lithium Facility is producing both battery grade and technical grade lithium carbonate to fulfil sample and customer order requirements. To date, samples for final approval and sales orders have been supplied to a total of 32 customers, including 19 battery market customers and 13 industrial market customers.

Commercial shipments of lithium carbonate have continued to be dispatched from the Olaroz Lithium Facility to Europe, Japan and the USA. Samples have also been sent to battery and industrial sector customers as the final stage of product qualification. The median specification values achieved for lithium carbonate (Li₂CO₃) in the months of May and June was 99.98% - 99.99%.

All forecast production for CY2015 has now been fully committed and customers are awaiting delivery.

The main customer concern remains the long term security of quality supply. Once in full production the Olaroz Lithium facility should substantially fulfil this need.

Market Conditions

Lithium market conditions continue to be favourable. Market demand is being driven by the growing market for rechargeable lithium-ion batteries, both in the electric vehicle area and the emerging market for energy storage batteries, such as Tesla's Powerwall. Plans for new and expanded lithium battery factories have been announced by Tesla, Foxconn, Samsung, LG and BYD.

Demand for portable rechargeable devices remains strong, underpinned by the growth of emerging markets, and the traditional industrial markets for lithium have maintained annual growth in excess of 5%.

Supply side constraints coupled with strong market demand have resulted in upward pressure on market prices for lithium carbonate. Prices have been steadily increasing to now be over US\$6,000/tonne with a noticeable shifting trend in the terms of commercial arrangements from annual periods to shorter six monthly and quarterly terms. The compound annual market growth rate projected by independent consultants for lithium carbonate is 10% year-on-year for at least the next 2 to 3 years.

Borax Argentina

Borax Argentina has extensive operations and a fifty year production history, producing borax chemicals, boric acid and boron minerals. Production currently comes from three principal mines at Tincalayu, Sijes and Porvenir with concentrators at the first two locations and a chemicals plant at Campo Quijano producing refined products.

Borax Argentina has been experiencing some challenging market conditions as a result of soft economic conditions in Brazil, historically its largest market. The downturn in the Brazilian economy and in particular a poor agriculture season has resulted in increased competition and downward pressure on market prices for all borates products.

Borax Argentina is actively pursuing an ongoing geographic and product diversification strategy in order to better insulate the business from localised economic and market cycles.

Borax Argentina has now successfully produced boric acid at the Campo Quijano boric acid plant using hydroboracite in place of ulexite. The hydroboracite used was the tailings from the Sijes concentrator, grading approximately 28-30% B₂O₃, which is a higher grade than the ulexite mined at Porvenir.

The objective of the trial was to confirm previous testwork and produce boric acid from hydroboracite without affecting kinetics and production rate. Hydroboracite has lower chloride levels than ulexite thus reducing the bleed of mother liquor from the plant while increasing recoveries and environmental benefits. The lower chloride levels in hydroboracite will also reduce plant maintenance. The cost of producing boric acid from ulexite is relatively high cost because the mining involves extraction of thin beds, with drying and screening taking place before transporting to the plant. To be able to use tailings in the future will result in significantly lower boric acid costs with savings of above \$200/tonne estimated. The plant is now running on 100% hydroboracite feed.

The current boric acid plant at Campo Quijano has a production capacity of 9,000 tpa. Engineering studies are being conducted to see if it is possible to increase production by an estimated 20%. This is subject to further study.

The relocated borax plant at Tincalayu has been operating at nameplate capacity and building inventory of borax decahydrate. With soft market conditions in Brazil, maintenance activities will be brought forward into July with a resulting reduction in operating costs.

Borax Argentina has received a loan approved of AR\$29m (approx. US\$3m) to fund productive asset improvements including the expansion of the boric acid plant. Details of this and other production increases and cost reduction initiatives will be announced over the coming months.

Operations

Approximately 10,122 tonnes of combined products were sold during the quarter. This is approximately 6% above the corresponding quarter last year and includes 2,061 tonnes of tincal ore sales.

Combined Product Sales Volume by Quarter*

2013/2014 Quarters		2014/2015 Quarters	
September 2013	10,103	September 2014	12,325
December 2013	11,410	December 2014	12,970
March 2014	9,027	March 2015	8,981
June 2014	9,558	June 2015	10,122

*Combined product sales volumes include borax chemicals, boric acid and boron minerals and includes sales of tincal ore of 4,021 tonnes in September 2014 quarter, 4,225 tonnes in the December 2014 quarter and 2,061 tonnes in June 2015 quarter.

Resource Upgrades

Work continues on the upgrade to JORC compliance program. Exploration at Sijes has identified a number

of previously unknown outcropping beds of high grade hydroboracite and colemanite which could provide short term supply at a low strip ratio.

Corporate and Administration

Cash Position and A\$32.3m Capital Raise

Unrestricted cash on hand (i.e. cash not committed to a SBLC) at the end of the quarter was A\$9.4m from a corporate perspective and A\$7.4m from a group perspective (taking into account a A\$2m Borax Argentina overdraft).

During the quarter the Company completed a A\$32.3m capital raise (before costs) by way of a placement to domestic and international institutional and sophisticated investors. Such funds were received after the quarter end. The placement was completed at an issue price of A\$1.90 per share, with the proceeds to be used primarily to fund working capital requirements for the Olaroz Lithium Facility during the production ramp-up stage.

The Company received strong support with the capital raise being significantly oversubscribed, and heavily supported both from existing and new shareholders.

The Lead Manager and Bookrunner for the placement was Canaccord Genuity (Australia) Ltd.

There are Standby Letters of Credit (SBLCs) in place for SDJ SA. A SBLC allows Orocobre to provide working capital to SDJ SA by depositing funds in USD as security in a restricted term deposit. This allows a SBLC to be issued which in turn allows SDJ SA to draw down funds in Argentina to the equivalent ARS\$ (peso) value.

The need for SBLCs to provide working capital for SDJ SA has arisen principally due to delays in the production start-up.

Once SDJ SA becomes cash flow positive, the funds drawn down will begin to be repaid and the amount required to be held as security in the SBLC facility will also begin to reduce, resulting in cash flow in USD back to Orocobre. The Company expects this to commence in Q2 2016. Therefore, the funds are restricted but recoverable and also earn a nominal rate of interest while held as security in the term deposit.

ISO Certification Received

Sales de Jujuy S.A., the project company for the Olaroz Lithium Facility received accreditation issued by Instituto Argentino de Normalización y Certificación (IRAM) for the below business management standards:

- ISO 9001:2008 - Quality Management
- ISO 14001:2004 - Environmental Management
- OHSAS 18001:2007 - Safety and Occupational Healthcare Management

Receiving the ISO accreditation continues Orocobre's commitment towards creating a sustainable business capable of servicing the global market with consistent, high-quality lithium carbonate.

To view the release, please visit:

<http://media.abnnewswire.net/media/en/docs/ASX-ORE-869160.pdf>

About Orocobre Limited:

[Orocobre Ltd.](#) is listed on the Australian Securities Exchange and Toronto Stock Exchange (ASX:ORE) (TSE:ORL) (OTCMKTS:OROCF), and is building a substantial Argentinian-based industrial minerals company through the construction and operation of its portfolio of lithium, potash and boron projects and facilities in the Puna region of northern Argentina.

The Company has built, in partnership with Toyota Tsusho Corporation and JEMSE, the first large-scale, greenfield brine based lithium project in 20 years at the Salar de Olaroz with planned production of 17,500 tonnes per annum of low-cost battery grade lithium carbonate. The full monthly production rate is expected to be reached in the last quarter 2015.

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