

# Orocobre Limited: Reports First Half Net Profit after Tax of US\$7.4M on Record Sales Revenue and Production

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Brisbane - [Orocobre Ltd.](#) (ASX:ORE) (TSE:ORL) (OTCMKTS:OROCF) (Orocobre), a leading producer of lithium carbonate, today released its financial results for the half year to 31 December 2016 (1H FY17).

## Highlights:

- 1H FY 2017 profit of US\$7.4 million
- Total production of 6,542 tonnes of lithium carbonate, up 309% on the prior comparative period (pcp)
- Strong results from the first full financial reporting period in commercial production at the Olaroz Lithium Facility:
  - o Revenue of US\$60.5M, up US\$56.1M on pcp
  - o EBITDAX of US\$35.4M
  - o Sales of 6,588 tonnes of lithium carbonate at an average price received of US\$9,185/tonne;
  - o Gross operating margins of 62% with lithium production costs at US\$3,525/tonne, excluding royalties and corporate costs making it one of the lowest cost producers
  - o Strong balance sheet with available cash of US\$30.7 million, and net debt/EBITDA (debt payback) ratio of only 2.1x (annualised and proportionally consolidated)
- Market fundamentals for lithium remain intact with strong demand growth, tight supply and attractive prices

Orocobre Managing Director and CEO, Richard Seville said, "Orocobre has consolidated its position as a mainstream, profitable, low cost producer of lithium carbonate. In the first half of the 2017 financial year we have continued to develop and expand our customer base as we produced 6,542 tonnes of lithium carbonate".

"Strong global market fundamentals for lithium carbonate products persist. Prices have stabilised at high levels over the last few months, however we recognise a similar scenario as occurred two years ago where timing and quantity of new supply of lithium carbonate to the global market was significantly overestimated.

"Our plans to double production at our Olaroz facility to 35,000 tonnes per annum would see Orocobre bring the first meaningful new lithium carbonate production to the global market by early 2019. Along with the 10,000 tonne per annum lithium hydroxide plant to be constructed with our partner Toyota Tsusho Corporation in Japan by the end of 2018, Orocobre is well positioned to deliver higher margins and grow sustainable shareholder value over the medium term. "

## Outlook and guidance

Production guidance for FY2017 has been revised to approximately 12,000 to 12,500 tonnes of lithium carbonate production due to pond inventory management requirements.

A recent investigation of production and pond inventory models against performance highlighted issues with the inventory models and flow on effects onto the production models. The investigation also concluded that although overall lithium inventory is appropriate for design production rates inventory distribution in the ponds has skewed away from the high grade harvest ponds and needs to be re-balanced to support design production rates. The process will take up six months and involve a combination of re-allocation of brine through the ponds and time for evaporation.

Richard Seville said: "We are actively managing our operations for long term performance. We have an

option to push production in the short term but it is better to bring the ponds into balance and establish the right long term inventory and grade profile.

"We are operating from a strong financial position and we continue to grow our customer base. We have a clear growth strategy with expansion plans for Olaroz and Japan that will not require additional cash from shareholders.

"With a market that remains in supply deficit, we believe we are well positioned to capture a high share of the global demand for lithium carbonate and to deliver higher margins and grow sustainable shareholder value over the medium term."

Subject to market and operating conditions Orocobre provides the following guidance:

#### Olaroz Lithium Facility

- ~12,000 to 12,500 tonnes of production for FY17
- ~US\$10,000/tonne average price forecast for March quarter 2017
- Capital expenditure of ~US\$10-12M, excluding amounts related to the prior financial year

#### Borax Argentina

- Production forecast of 40,000 - 50,000 tonnes
- Capital expenditure of ~US\$2-4 million

#### Corporate

- Corporate costs of ~US\$5 million

#### Proforma financials

Orocobre Group reported a maiden statutory profit of US\$7.4 million, which on a proportionally consolidated basis includes a non-cash foreign exchange loss of US\$0.9 million.

Sales de Jujuy PTE and hence the Olaroz Lithium Facility, recorded positive EBITDAX of US\$35.4 million for the six months to 31 December 2016. Borax Argentina like for like sales were up 14% and despite the challenging market conditions EBITDAX was near breakeven in the first half of the financial year.

#### Strong cash inflows

The Olaroz Lithium Facility (Sales de Jujuy, SDJ SA) continued to generate strong operating cash flows in 1HFY17 enabling it to fully fund a principal and interest payment on the Mizuho project loan. Future cash flow will see the release of Standby Letters of Credit against overdraft facilities available to SDJ SA and the repayment of shareholder loans valued at US\$101M (as at 31 December 2016). This cash will be utilised by Orocobre to fund its expansion plans and continue to improve its operations.

#### Expansion Update

Growth strategy in place with:

- Expansion plans underway for Olaroz to double capacity to 35,000 tpa lithium carbonate production by end 2018CY
- A high margin 10,000 tonne per annum lithium hydroxide plant to be built in Japan by late 2018

To view tables and figures, please visit:  
<http://abnnewswire.net/lnk/9I2CQEO1>

To view the Half Year Financial Report, please visit:  
<http://abnnewswire.net/lnk/7HTODJ6R>

To view the Half Year Accounts Presentation, please visit:  
<http://abnnewswire.net/lnk/22128HGE>

### **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.

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