

# Orocobre Limited - 2018 AGM Chairman Address

23.11.2018 | [CNW](#)

BRISBANE, Nov. 22, 2018 - [Orocobre Ltd.](#) (ASX: ORE, TSX: ORL) ("Orocobre" or "the Company") wishes to provide the following transcript of the Chairman's Address from the 2018 AGM.

Good morning and welcome to the 2018 Annual General Meeting of [Orocobre Ltd.](#). My name is Robert Hubbard and I am the Chairman of Orocobre and I will Chair today's meeting.

I would like to start by introducing my fellow members of the board and the Orocobre executive management team who are with us today. Richard Seville, our incumbent CEO and Managing Director, who is joined by Leanne Heywood, a Non-Executive Director and our joint company secretaries, Neil Kaplan, the Chief Financial Officer of Orocobre and Rick Anthon, the Corporate Development Manager and General Counsel. David Hall, Andrew Barber and other members of the Orocobre management team are also with us this morning.

Kellie McKenzie, a representative of Ernst & Young, the Company's auditors is also present. This is Kellie's final AGM as the auditor of Orocobre due to normal rotation requirements. I would like to thank Kellie for her highly professional service over the last 5 years and welcome her replacement, Andy Carrick who is also a partner at EY.

I would also like to take a moment to welcome our incoming CEO and Managing Director Martin Perez de Solay.

As you all know your board is very culturally and geographically diverse with representatives from Argentina, USA, Canada and Japan, in addition to Australia. We have once again decided to minimise expenditure for the meeting and my overseas colleagues on the board are all apologies today.

We have before us today five resolutions for consideration. Prior to consideration of the formal agenda I will give a short address and Richard will provide a presentation on our current status and attractive opportunities for growth. There will be opportunity for questions at the conclusion of Richard's presentation, however if you have any questions specific to a resolution could you please raise them when we come to that resolution.

## The operating environment

In any commodity-based market price can be a volatile thing, lithium is not immune from these cycles and so we continue to focus Orocobre to the bottom quartile of the cash cost curve. The Olaroz average cash operating cost for 2018 was US\$4,194/tonne and with ongoing process optimisation and improvements in recoveries, reagent usage and logistics we expect to see our cash operating costs decrease further.

The lithium market experienced strong demand during the 2018 Financial Year encouraged by upward revisions to key forward indicators including the EV plans of car manufacturers, further battery capacity expansions and growing government investment supporting EV uptake and battery storage development.

We believe the overall market trend is for continued robust demand growth particularly for battery-grade lithium carbonate and hydroxide, however this will be accompanied by periods of volatility.

As many of you would already know the Ministry of Economy in Argentina formally decreed the

establishment of temporary foreign trade measures aimed at reducing the Argentine fiscal deficit back in early September. These temporary foreign trade measures can be viewed as the Macri administration responding quickly to the devaluation and restoring confidence in the markets and the IMF.

At the time of the announcement the temporary special export duty was immediately applied to all exports of Orocobre's 66.5% subsidiary Sales de Jujuy SA (SDJ) and Borax Argentina SA (Borax) up to 31 December 2020. The Company has calculated that such duty would result in a cost of approximately 8% of its export sales revenues. However, to date a significant proportion of these this tax has been offset by the devaluation of the peso.

Under President Macri, Argentina has ambitions to become a lithium superpower, wanting to supply as much as 45% of the global market, up from its current market share of approximately 16%.

Since his election in 2015 President Macri has set out to re-invigorate mining investment by working on two fronts &ndash; tax cuts and infrastructure investment. He has earmarked ARS \$33billion of federal funds for transport investment, particularly to connect isolated lithium rich deposits in Salta and Jujuy to Chile. It's announcements like these that offer the board confidence that Argentina remains a preferred location for lithium production in South America.

## Review of performance

This has been another watershed year in Orocobre's vision to become a leading and sustainable global supplier of high grade, high value lithium chemicals. Our annual report explains in depth the operating and financial performance of Orocobre last financial year. There will be an opportunity to ask questions on the report later, however I will take this opportunity to make comment on a few specific points:

1. The end of the 2018 Financial Year saw Orocobre in a strong financial, strategic and operational position. Sales de Jujuy, the operator of the Olaroz Lithium Facility, increased total sales revenue by 24% to US\$148.9 million from production of 12,470 tonnes of lithium carbonate. At the end of September, our balance sheet remains in a strong position with available cash of US\$308.7 million and net cash of US\$221.7 million after deducting Orocobre's share of project debt. Our operations continue to generate strong cashflow ensuring we are funded to achieve all our growth plans.
2. In January 2018 we welcomed Toyota Tsusho Corporation to our register as a 15% shareholder when we conducted a strategic placement and renounceable rights issue which raised US\$287 million. This capital raising placed Orocobre on a sound financial footing to fund its growth ambitions.
3. Orocobre continues to expand its operational capabilities at Olaroz, leveraging lessons learned through its first two years of commercial production. Following the adverse weather conditions over financial year 2018 which resulted in production shortfalls, we are developing methods to better manage and mitigate climate impacts on production through the Stage 2 design process.
4. Early works have commenced on the 25,000 tonnes per annum Stage 2 Expansion of Olaroz with the construction of new roads, new evaporation and harvest ponds, a secondary liming plant, drilling of new bores and the expansion of existing site infrastructure and camp accommodation. Already three new harvest ponds and one new evaporation pond have been completed with a further six ponds under construction. In addition, plans are well advanced for the Naraha Lithium Hydroxide Plant to be built in Japan. These two projects will not only significantly increase the scale of our business but also diversify our product range to ensure we are well placed to benefit from future lithium battery market growth.
5. Throughout the year our focus has remained on pond management both from the perspective of inter-pond brine transfer, operational controls and monitoring. The pond system is operating in a stable manner subject to the seasonal variations in weather and the impact of abnormal events.

## Growth and development

The strategy to pass the parallel development of the Cauchari Joint Venture Project to Advantage Lithium has been well rewarded. An updated resource estimate for the project was released during the June quarter detailing a +6-fold increase of the inferred resource to 3.02 million tonnes Lithium Carbonate Equivalent. The updated resource covers a significantly larger brine resource area of 92.6 km<sup>2</sup> and extends to greater depths, with potential for additional resource expansion.

A Preliminary Economic Assessment has been released and a Feasibility Study is expected to be completed

by early 2019. Orocobre maintains an interest in the project through the joint venture and its shareholding in Advantage Lithium.

Throughout the 2018 Financial Year Orocobre and TTC progressed plans for a 10,000 tpa Lithium Hydroxide Plant to be built in Naraha, Japan. Contract negotiations are continuing with Veolia who are preferred bidder for the engineering, procurement and construction contract. The selection criteria for the engineering contractor includes turn-key commissioning and personnel training with process, product quality and performance guarantees. These contract negotiations are expected to be completed this quarter.

Negotiations are effectively complete with TTC regarding the commercial arrangements of the Naraha joint venture structure and changes to the Olaroz joint venture agreement with respect to joint marketing and operational controls.

Following extensive studies and the customization of plant design, the capital expenditure for the Naraha Lithium Hydroxide Plant is expected to be approximately US\$60-70 million (100% basis, pre-subsidies). Financing arrangements have advanced with a project debt and bridging finance term sheet being provided from Japanese banks and a subsidy for US\$27m has been offered by the Japanese government

We continue to expect a final investment decision on both the Olaroz Stage 2 expansion and the Naraha Lithium hydroxide project by the end of this quarter.

#### Sustainability

We will soon release our second Sustainability Report. Since our inaugural report was released last year, we have been better placed to benchmark our sustainability performance and disclosures. The commendation we received from the Australian Council for Superannuation Investors for our reporting, and our listing on the Dow Jones Sustainability Australia Index for our 2017 sustainability performance give us confidence that we are progressing on the right path.

In 2018 Orocobre became a participant of the UN Global Compact to strengthen our commitment to the UN Sustainable Development Goals and to the key themes of Human Rights, Labour, Environment and Anti-Corruption, and our annual Sustainability Report continues to serve as communication on our progress of these commitments.

Over the coming 12 months, Orocobre's focus will be threefold: a focus on safety and wellbeing given the additional activities and risks arising from the Stage 2 Expansion; reinforcing our systems and processes to improve performance and disclosure; and to promote sustainable development through collaboration with our communities, our peers and other strategic partners.

Richard's commitment to Shared Value over the past decade has instilled a strong sense of purpose across all levels of the organisation. Ensuring our incoming CEO shared this commitment was a fundamental consideration in his recruitment and selection process. We were impressed by Martin's values and ethos and are confident that he can carry on and develop this culture of shared value into the future.

#### Remuneration

We have continued the approach to remuneration that was endorsed by shareholders at the 2017 AGM. This has reflected a market-based approach, taking into account the unique characteristics of Orocobre and the personal demands we make on our senior management given the location of our assets and international time differences.

As I set out at last year's AGM we have made changes to the structure of our incentives to promote greater motivation, alignment and retention. The key change has been to significantly favour the long-term. Returns to the management are therefore substantially dependent upon share price appreciation. In our view, this is more motivating for management given our growth opportunities, ensures greater alignment with our shareholders and also assists in retaining our key people in what is becoming an increasingly competitive

environment.

## Board

The composition of the board changed during 2018 as we welcomed Mr Masaharu Katayama from Toyota Tsusho Corporation and today we say farewell to longstanding board member Mr Courtney Pratt.

Masaharu joined the Orocobre Board on 12 of April this year following the strategic placement of Orocobre shares to TTC under the terms of which TTC is entitled to appoint a representative to the Orocobre Board of Directors.

Masaharu's career is genuinely global and has included risk management, resource development and marketing strategy development. All of this experience will be valuable to Orocobre as we continue to expand our global operations.

And today we farewell Mr. Courtney Pratt who is retiring from the Board following eight years of valuable service. In his executive career Courtney was Chief Executive of some of Canada's major industrial companies in the energy, minerals and mining sectors. Orocobre has benefited from the entire 40 years of that experience with Courtney regularly reminding us of the Company we should aim to be.

Personally, I have found Courtney to be an absolute rock upon which I could always rely for good advice and board room contribution. I'd like to take this opportunity to formally thank Courtney on behalf of all shareholders for everything he has brought to Orocobre over the past eight years.

I'd like to take some time to say a few words about Richard Seville and his many achievements as this will be his final AGM as Orocobre's CEO and Managing Director.

Like many shareholders here today I have been a passionate follower and investor in the resources industry for decades. We all know how rare it is for a start-up exploration company to become a billion-dollar minerals producer. It only happens with good assets and great leadership, Olaroz provided the asset but Richard provided the leadership.

Few could have achieved what Richard has achieved for Orocobre in the past 11 years. Whilst Richard would want me to acknowledge that it is always a team effort, all teams need a captain.

Under Richard's leadership, Orocobre has emerged as a significant contributor to global lithium production. Among his many other achievements, he was responsible for the successful exploration campaign at Olaroz, establishment of the Orocobre/Toyota Tsusho Corporation joint venture, development of the first brine based lithium production facility in 20 years, and the funding of the Phase 2 expansion of Olaroz and lithium hydroxide plant.

Richard has generated tremendous shareholder value but more importantly, he has established a culture at Orocobre that is based on understanding and analysis, operational excellence, sustainability and shared value, and values of fairness, respect and integrity.

Richard still has much to offer to Orocobre and I am delighted that he will remain on the Board of Orocobre as a non-executive director. Thank you Richard.

## Closing

As I mentioned early, we are delighted that Martin has joined us as the incoming CEO and Managing Director and believe he has the ideal blend of skills, experience and knowledge to lead Orocobre through the next stages of its development.

Martin's initial focus will be on our established strategy of optimising the operating performance of the Olaroz joint venture and delivering the Company's growth plans for the Olaroz Stage 2 expansion and Lithium Hydroxide plant in Japan. Martin is based in Argentina which will make the best use of his extensive operational expertise and in-country knowledge.

Finally, I would like to express my appreciation to the management team and staff in both Australia and in Argentina, our joint venture partners, TTC and the Jujuy Government, and my colleagues on the board. I reserve my final thanks to our shareholders for your patience, support and encouragement on the Orocobre journey.

For more information please contact:

Andrew Barber  
Investor Relations Manager  
[Orocobre Ltd.](#)  
T: +61 7 3871 3985  
M: +61 418 783 701  
E: [abarber@orocobre.com](mailto:abarber@orocobre.com)  
W: [www.orocobre.com.au](http://www.orocobre.com.au)

About Orocobre Limited  
[Orocobre Ltd.](#) (Orocobre) is a dynamic global lithium carbonate supplier and an established producer of boron. Orocobre is dual listed on the Australia and Toronto Stock Exchanges (ASX: ORE), (TSE: ORL). Orocobre's operations include its Olaroz Lithium Facility in Northern Argentina, Borax Argentina, an established Argentine boron minerals and refined chemicals producer and a 33.5% interest in Advantage Lithium.

For further information, please visit [www.orocobre.com.au](http://www.orocobre.com.au).

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