

# Orocobre Limited – 2019 Annual General Meeting Chairman’s Address

22.11.2019 | [GlobeNewswire](#)

BRISBANE, Nov. 21, 2019 - [Orocobre Ltd.](#) (ASX: ORE, TSX: ORL) (“Orocobre” or “the Company”) wishes to provide the following transcript of the Chairman’s Address from the 2019 Annual General Meeting.

I welcome you all to this the 14<sup>th</sup> Annual General Meeting (AGM) of [Orocobre Ltd.](#) My name is Robert Hubbard and I am a Non-Executive Director and the Chairman of Orocobre and will be chairing today’s meeting.

I would like to introduce the Directors and company officers in attendance today – Managing Director, Martín Pérez de Solay and Non-Executive Directors Leanne Heywood and Richard Seville. Also, with us are our joint company secretaries, Neil Kaplan, the CFO of Orocobre and Rick Anthon, the head of corporate development and group general counsel. David Hall, Andrew Barber and other members of the Orocobre management team are also with us this morning. Andy Carrick, a partner at Ernst & Young, the Company’s auditors is also present.

As you all know your board is very culturally and geographically diverse with representatives from Argentina, Japan and the USA 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 continue to investigate methods that are both cost effective and satisfy our obligations under the Corporations Act for our colleagues to attend by virtual means.

We have before us today eight resolutions for consideration. Before moving to the formal part of our meeting, I would like to address the meeting which will then be followed by a presentation by our new CEO and Managing Director, Martín Pérez de Solay. There will then be an opportunity for shareholders to ask any questions.

## The Operating Environment

The past 12 months in the lithium industry has seen weak demand and new supply, which in turn has depressed prices from the high levels seen in the previous year. This has led to the closure of projects, decreasing production in others and a number of projects being deferred such as the Albemarle/Mineral Resources Wodgina project.

We have always expected there would be periods of extreme volatility in the lithium market. Given the pace of change, supply and demand growth could never be perfectly matched. However, we continue to believe medium to long term market fundamentals remain robust.

As many of you would already know there will be a change of government in Argentina on 10 December after the recent election of Alberto Fernández as President. President elect Fernández has reiterated his support for all export driven businesses and expressed strong backing for the resources industry. You would also recall that Orocobre built the Olaroz Lithium Facility under a government led by Vice President-elect Cristina Fernández de Kirchner.

We are government agnostic and are well positioned to operate in Argentina with all duly elected governments at Federal or Provincial levels. Jujuy Governor Gerardo Morales was elected for a second term in July and we continue to work cooperatively with Jujuy and contribute significantly to its economic development.

Over the last year the IMF has continued to offer material support to Argentina. We expect the country to encounter a continued period of fiscal and economic challenges, however as a growing exporter with a major investment planned over the next two years we are as well placed as anybody to work collaboratively with the new government.

## Review of Performance

Despite the challenging global lithium market coupled with a turbulent Argentine economy, 2019 has been another year of achievement for Orocobre. Whilst the share price performance has been disappointing it has not been as disappointing as others and we remain well positioned. 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 comment on a few specific points:

1. At the close of the 2019 Financial Year, once again Orocobre is in a strong financial, strategic and operational position. Sales de Jujuy, the operator of the Olaroz Lithium Facility, increased production to 12,605 tonnes of lithium carbonate. Although only a marginal increase from the 12,470 tonnes produced in 2018 Financial Year, it is important to note our average operating cash cost was US\$4,302/tonne – maintaining Orocobre’s position as a low cost producer. This comes at a time when we have seen the softening of the lithium market, with global average lithium carbonate prices dropping significantly from between ~US\$12,000 - US\$14,000/tonne in 2018 Financial Year to ~US\$9,000 – US\$11,000/tonne in 2019 Financial Year. Global lithium producers are now under increased pressure to reduce cash costs and maintain cash flow, something I am confident we are as well placed as any to deliver.
2. During 2019 we witnessed our strategy of managing brine quality, new pond preparation and tailoring production to seasonal conditions deliver tangible results. The 2019 March quarter delivered the highest quarterly production achieved to date, despite Olaroz experiencing the highest average rainfall in this period for the past three years. This was followed by the highest ever September quarter production despite maintenance activity during August which saw a full plant shutdown for five days and one of the plant’s two reactor units remaining offline for the entire month.
3. Our relationship with Toyota Tsusho Corporation (Toyota Tsusho) has continued to flourish. In December 2018 three new pivotal agreements were signed – a new Olaroz Shareholders Agreement, a Sales and Marketing Agreement and the Orocobre Management Agreement for management of the Olaroz Joint Venture. The new Olaroz Shareholders Agreement formalises changes to the joint venture that has allowed Orocobre to consolidate earnings from Olaroz in reported statutory accounts. The joint sales and marketing agreement have facilitated both companies to set the strategic direction of customer arrangements, commercial terms and an agreed sales strategy. The new Management Agreement, for the management of Olaroz by Orocobre, sees Orocobre paid a management fee of 1.5% of gross revenue reported by the Olaroz Joint Venture effective 1 July 2019.
4. In April Orocobre, Toyota Tsusho and Joint Venture boards gave approval for the Final Investment Decision (FID) for the Naraha Lithium Hydroxide Plant (Naraha Plant) to be built in Japan. Orocobre holds a 75% economic interest in this project with operations to be managed by Toyota Tsusho. I will go into more detail on the Naraha Plant when I discuss the Company’s Growth and Development shortly.
5. The Stage 2 Expansion has progressed over the past 12 months with the Company announcing in late November 2018 that the FID for the project had been approved, with the finance facility then being finalised in August 2019. As at 30 September 2019, approximately US\$62.2 million had been spent on the first phase of expansion activities including the commencement of construction of new evaporation and harvest ponds, a secondary liming plant, 15 new production wells, a new medical centre for the extended work force, new accommodation facilities capable of housing 100 additional staff and new roads. The Stage 1 Pond system covered 4.5 square kilometres, once complete the Stage 2 Expansion will see overall pond surface area increase to more than 13 square kilometres.
6. Since assuming the role as CEO Martín has focused our operations on safety, productivity and quality. Special attention has been devoted to improving the lithium concentration of our brine feedstock. Improved and more stable brine concentration will deliver multiple benefits including higher lithium recoveries, lower cost of production and increased product quality and consistency.

## Growth and Development

In August this year the groundbreaking ceremony signifying the commencement of construction of the Naraha Plant took place. Toyota Tsusho is the manager of the Naraha Joint Venture, with Orocobre holding a 75% economic interest. Commissioning of the Naraha Plant is expected to commence during the first half of 2021.

The Naraha Plant, the first of its kind to be built in Japan, is designed to convert industrial grade lithium carbonate feedstock sourced from the Olaroz Lithium Facility into purified battery grade lithium hydroxide.

Sales of lithium hydroxide will be managed by Toyota Tsusho as the exclusive sales agent under the joint marketing agreement I mentioned earlier, with the majority of production expected to be delivered to the Japanese battery industry. A cathode manufacturing plant is already in operation in the immediate vicinity and plans have been announced to develop a battery manufacturing facility nearby.

The project's Engineering & Procurement and Construction contract was awarded to Veolia Water Technologies & a company recognised as the preferred technology supplier of cutting-edge chemical processing solutions to global lithium producers and refiners.

The construction of the Naraha Plant will provide us invaluable product diversification and will further cement our position as a global lithium chemicals producer.

The 2019 Financial Year was a year of progress for our joint venture partners Advantage Lithium as they continued to advance the Cauchari Joint Venture.

## Sustainability

In March this year we released our second Sustainability Report, detailing our goals and achievements with regards to environmental, social and governance performance. As a young company we have much to learn and much to do but we are serious about Sustainability, since it is in shareholders' best interests. Orocobre's Shared Value program extends well beyond philanthropy and social responsibility, as it seeks to deliver sustained, long-term value for both local communities and our operations through the development of initiatives aligned with the program's five pillars: Education, Empowerment, Transparency, Natural Resources and Production, and Health.

Martín has continued our sustainability focus with great enthusiasm and has demonstrated he is a CEO who truly values the significance of these initiatives and their contribution to local communities, our operations and our shareholders. Our commitment to enhancing sustainability performance across all aspects of the business is highlighted by the recent appointment of a Chief Sustainability Officer to the Company's executive team, and the establishment of a Sustainability Committee to the Board.

Orocobre remains a signatory to the United Nations Global Compact and a member of the World Business Council for Sustainable Development in Argentina (CEADS). This emphasises our commitment to Environment, Human Rights, Labour and Anti-Corruption practices, whilst supporting greater alignment and contribution to the UN Sustainable Development Goals.

In September this year Orocobre was proud to once again be included amongst the world's sustainability leaders in the 2019 Dow Jones Sustainability Indices. The Dow Jones Sustainability Indices are an objective platform through which both Orocobre and our shareholders can monitor, evaluate and benchmark our sustainability performance year-on-year. The 'Robeco SAM Corporate Sustainability Assessment', which is used to determine inclusion in the Dow Jones Sustainability Indices, is an incredibly detailed survey which serves as a valuable continuous improvement tool for the Company and a pertinent reference point for all our investors.

To be included as a member of the Dow Jones Sustainability Index for the second year running, and therefore the first two years of commercial production at Olaroz is a strong indicator of our commitment to sustainability, operational efficiency and shared value.

## Remuneration

Throughout 2019 we have continued the approach to remuneration that was endorsed by shareholders at the 2018 AGM. This is a market-based approach, taking into account the unique characteristics of Orocobre and the personal demands we make on senior management given the location of our assets and international time differences.

For the 2020 Financial Year we have made some changes to the structure of our incentives to recognise the significant increase in size and complexity of our business through our growth projects. Changes are focused on the non-fixed component of remuneration packages so that returns to management are therefore substantially dependent upon company performance. This also ensures greater alignment with our shareholders and assists in retaining our key people in what is becoming an increasingly competitive environment.

#### Orocobre Board

In January of this year we welcomed Martín Pérez de Solay to the Board as Orocobre's new Managing Director and CEO after a smooth transition period between Martín and Richard Seville. At the same time Richard commenced as a Non-Executive Director on the Board. We are pleased to see Richard remain on the Board, ensuring his knowledge of lithium production from brine and corporate knowledge accumulated since 2007 is readily available.

#### Closing

Overall it has been another fruitful year for Orocobre as a whole - with newsworthy progress being achieved with our development projects in Argentina and Japan, our JV partnerships and significant development of the Company's executive team.

I would all like to convey my genuine gratitude to all the management teams and staff here in Australia and in Argentina and Japan, our partners, Toyota Tsusho, the Jujuy Government and my colleagues on the Board. I reserve my final thanks to our loyal shareholders for your on-going support, patience and encouragement on the Orocobre journey.

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#### 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), (TSX: 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 34.7% interest in Advantage Lithium. The Company has commenced an expansion at Olaroz and construction of the Naraha Lithium

Hydroxide Plant in Japan. For further information, please visit [www.orocobre.com](http://www.orocobre.com).

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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/339477--Orocobre-Limited--2019-Annual-General-Meeting-Chairmans-Address.html>

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