

Orocobre Limited Quarterly Report of Operations for the Period Ended 31 March 2021

19.04.2021 | [GlobeNewswire](#)

BRISBANE, April 19, 2021 -

MARCH QUARTER 2021 KEY HIGHLIGHTS¹

Olaroz Lithium Facility (Olaroz) operations increased the Gross Cash Margin more than \$1,800/tonne with the sales price up more than 50%. Costs remained near all-time lows despite much a greater proportion of sales being battery grade material which has higher production costs. Market conditions have improved materially and this will be reflected in higher June quarter product pricing. Operations continued under the established Bio-Security Protocol.

OLAROZ LITHIUM FACILITY (ORE 66.5%)²

- Activities continue to focus on the health and well-being of our staff, contractors and communities while maintaining production and expansion works with no COVID-19 related stoppages during the period
- Production of 3,232 tonnes was the highest achieved in a March quarter and up 18% on the previous corresponding period (PCP). It was down 13% quarter on quarter (QoQ), due mainly to a nine day planned maintenance program undertaken during February and an increase in the proportion of battery grade product
- Sales volume of 3,032 tonnes was up 18% on PCP, but down 30% QoQ after record sales to clear inventory in the December quarter
- Sales revenue was up 7% QoQ to US\$17.7 million with the realised average price achieved up 54% to US\$5,853/tonne on a free onboard basis (FOB)³ with stronger lithium market conditions. Prices have now increased by nearly 90% over the last six months
- Cash costs (on a cost of goods sold basis)⁴ were down 3% to US\$3,867/tonne on PCP excluding the export tax of US\$210/tonne. Importantly, costs were only up 7% QoQ despite the proportion of battery grade sales increasing from 34% to 47% QoQ
- Gross cash margin was up materially to US\$1,986/t, an improvement of US\$1,812/t on the December quarter with better pricing
- An agreement has been reached with Prime Planet Energy and Solutions (PPES), the automotive battery cell manufacturing joint venture between Toyota (51%) and Panasonic (49%) for supply of battery grade lithium carbonate during Japanese fiscal year 21/22 (JFY21/22). Future annual discussions will determine details for subsequent years leading to supply of 30,000 tonne per annum (ktpa) of lithium carbonate equivalent (LCE) by CY25. Orocobre has commenced dispatching product from Olaroz to a bonded warehouse in Japan in preparation for the first delivery of battery grade lithium carbonate to PPES.
- Lithium prices continue to recover and Orocobre price guidance has now been raised with Q4 FY21 prices expected to be approximately US\$7,400/tonne (FOB)³. Budgeted FY22 production is fully contracted and subject to variable pricing related to benchmarks that will benefit from the expected continued improvement in market conditions

¹ All figures presented in this report are unaudited

² All figures 100% Olaroz Project basis

³ Orocobre report price as "FOB" (Free On Board) which excludes insurance and freight charges included in "CIF" (Cost, Insurance, Freight) pricing.

Therefore, the Company's reported prices are net of freight (shipping), insurance and sales commission. FOB prices are reported by the Company to provide clarity on the sales revenue that is recognized by SDJ, the joint venture company in Argentina

⁴ Excludes royalties, export tax and corporate costs

LITHIUM GROWTH PROJECTS

- During the March quarter work at Olaroz Stage 2 continued with strong adherence to the COVID-19 bio-security protocol. At the end of March, 70% of contracts had been awarded and a further 8% were at award recommendation stage. Additional accommodation facilities were completed in the quarter and more will become available in the June quarter
- Stage 2 is expected to be complete in H1 CY22 and to commence production the following half. Production will ramp up over two years to full capacity of 25ktpa of primary grade lithium carbonate by H2 CY24
- Naraha Lithium Hydroxide Plant construction has continued throughout the period and is now approximately 94% complete. Commissioning will be delayed until Q1 CY22 due to COVID-19 related delays of travel to site by international technicians
- A scoping study into a further expansion at Olaroz (Stage 3) commenced during the March quarter. The study will investigate options for additional production of 25-50ktpa from Olaroz, Cauchari or a combination of both, leveraging existing Stage 1 and 2 infrastructure
- Discussions continue with Toyota Tsusho Corporation (TTC) regarding an expansion of lithium hydroxide production to meet forecast growth in demand

BORAX ARGENTINA

- Overall sales volume for the December quarter was 10,282 tonnes, down 3% QoQ and 4% on PCP
- Sales revenue was up 5% QoQ due to higher average prices that were up 8% QoQ with strong customer demand

CORPORATE

- At 31 March 2021, Orocobre corporate had available cash of ~US\$241.6 million of which US\$11.1 million and US\$85.5 million have been set aside as pre-completion guarantees for the Naraha debt facility and Olaroz Expansion debt facility respectively
- Including SDJ and Borax cash and project debt, net group cash at 31 March 2021 was US\$97.7 million, down from US\$119.8 million at 31 December 2020

OLAROZ LITHIUM FACILITY

COVID-19

During the first quarter of CY21 the epidemiological situation in Argentina was under control, with low infections in our areas of operation. The team is planning additional preventive actions to manage any impact from an expected second wave across the country. As vaccination for all employees is not yet an option, our first and most effective barrier remains a strong Bio-security Protocol.

Daily monitoring of the workforce health continues throughout 14-21 day rosters that apply to all personnel and include those employees who would normally reside in local communities. Since July 2020, the Company medical service has performed more than 9,500 COVID-19 tests (Serological and PCR). At this point, approximately 35% of our employees have had the disease and have generated high levels of antibodies.

Additional accommodation facilities are being installed to enable the growing construction workforce to operate within the COVID-19 bio-security protocol.

SAFETY

Health and safety remains a key priority for the Company. One Lost Time Injury (LTI) was recorded with a contractor at Olaroz on February 27th after 446 days without an LTI in both the operations and the expansion project. The worker involved was provided immediate medical assistance and is now recovering.

In March the ISO 14001 & 9001 & 18001 audit was performed. No major findings were reported and recertification was granted. A new work permit system and hazard analysis tool will be implemented in the next several weeks. The Dupont programs continue to enhance our safety culture and remain a key priority.

Orocobre is consolidating all key leading and lagging indicators following the ACSI Future Health and Safety reporting.

OPERATIONAL UPDATE

QUALITY

Brine concentration remains well above prior years supporting excellent plant stability and reliability. The continuing high process capability ratio (CpK) demonstrates the ongoing ability of Olaroz to produce lithium carbonate well within specification limits.

Product quality continues to improve with reduced magnetic particles and increased product consistency.

PRODUCTION

Production for the March quarter was 3,232 tonnes, up 18% from 2,732 tonnes in the PCP with 55% of production being battery grade lithium carbonate. Brine concentration remains at higher levels than in recent years resulting in high daily production rates, higher plant recovery and continued low costs. A nine day plant shutdown was undertaken in February for planned maintenance.

SALES AND COMMERCIAL

Product sales were 3,032 tonnes of lithium carbonate up 20% on PCP but down 30% QoQ after a strong December quarter. Total sales revenue was up 7% QoQ to US\$17.7 million and up 46% on PCP. The average price received was up 54% QoQ to US\$5,853/tonne on an FOB³ basis and up 22% on PCP with stronger pricing relative to a year ago.

Approximately half the sales in the March quarter reflect contracts that were agreed in late November and early December prior to significant movement in lithium prices.

More than 50% of forecast sales for the June 2021 quarter are expected to be allocated to long term battery grade contracts as Olaroz commences delivering product to PPES. Such percentage of battery grade product sales is expected to increase into FY22.

Several customers have recently expressed an interest in increasing their volume offtake allocation for FY22 as they struggle to secure volumes with other vendors suggesting that the market is now in a deficit position. Budgeted production at Olaroz for FY22 is fully sold and additional volumes will only become available when Olaroz Stage 2 commences production in the second half of CY22.

The estimated average price for the June 2021 quarter is expected to be approximately US\$7,400/tonne FOB³, subject to shipping schedules.

PPES MOU

An agreement has been reached with Prime Planet Energy and Solutions (PPES), the automotive battery cell manufacturing joint venture between Toyota (51%) and Panasonic (49%) for supply of battery grade lithium carbonate during Japanese fiscal year 21/22 (JFY21/22). Future annual discussions will determine details for subsequent years leading to supply of 30,000 tonne per annum (tpa) of lithium carbonate equivalent (LCE) by CY25. Orocobre has commenced dispatching product from Olaroz to a bonded warehouse in Japan in preparation for the first delivery of battery grade lithium carbonate to PPES.

COSTS/MARGINS

Cash cost of goods sold for the quarter (including COVID-19 related costs) decreased by 3% on PCP

remaining near all-time lows at US\$3,867/tonne⁴. This excludes export duties for the quarter of US\$210/tonne. Importantly, costs increased by only 7% QoQ, while the proportion of battery grade sales increased from 34% to 47% QoQ.

Total cost of sales has been maintained at low levels demonstrating the significant focus and reduction of fixed costs within the operating business. Lower reagent usage due to improved process efficiency and an increase in the export incentive refund with higher product prices have also contributed to the strong cost performance.

Gross cash margins for the quarter returned to being strongly positive at US\$1986/tonne, this is expected to further improve with better pricing in Q4 FY21.

STAGE 2 EXPANSION AT OLAROS

ACHIEVED MILESTONES

- Commissioned and partially operating the brine handling system for Stage 2
- 8 out of 9 harvestable ponds are in service and 5 out 22 evaporation ponds are in service
- Lime plant #2 has been operating since February
- TK1100, a new brine collection pond has been in operation since January
- 4 new wells are in service and four additional wells in the final stages of completion

FUTURE MILESTONES

Work in H2 CY21 will focus on the delivery of additional gas fired power generators, completion of pond construction and construction of lime plant #3. In the first half of CY22 all new wells, the soda ash facilities and carbonation plant will be completed.

PROJECT STATUS

During the March quarter work at Olaroz Stage 2 continued with strong adherence to the COVID-19 bio-security protocol. At the end of March, 70% of contracts had been awarded and a further 8% were at award recommendation stage. Additional accommodation facilities were completed in the quarter and more will become available in the June quarter.

Stage 2 is expected to be complete in H1 CY22 and to commence production the following half. Production will ramp up over two years to full capacity of 25ktpa of primary grade lithium carbonate by H2 CY24.

INFRASTRUCTURE

Construction camp expansion works continue with 250 additional beds available in March. It is expected another 200 beds will become available in April. Further beds will be available in May to cater for the rapidly growing construction workforce which currently is ~500 personnel. The camp mess has also been completed and further sewage treatment facilities are being planned. A variety of medium voltage lines and other electrical works are in progress. Overall infrastructure works are now 75% complete.

WELLS AND BRINE GATHERING

Brine extraction works are now 58% complete. Six wells are currently at various stages of completion. Five drill rigs are currently in operation. Brine gathering networks are progressively being installed with the TK1100 facility operating since January.

PONDS

Ponds construction is well progressed with approximately three quarters of work completed. Geomembranes continue to be installed as ponds are completed. Civil and electrical work is underway at six ponds. A total of 13 harvestable and non-harvestable ponds have now been completed, a further 17 are under various stages of construction.

CARBONATION, LIME AND SODA ASH FACILITIES

Carbonate plant construction commenced in February along with soda ash handling facilities. Earthworks are advancing with foundations being established. All of the steel structure for the carbonation and soda ash plants has now arrived at site including cladding, roofing and overhead cranes.

Planning for lime plant #3 is well underway and contracts are likely to be awarded by the end of April. This additional liming capacity is expected to be available by the end of the year.

NARAHA LITHIUM HYDROXIDE PLANT

PROGRESS TO DATE

The Naraha Plant, the first of its kind to be built in Japan, is designed to convert primary grade lithium carbonate feedstock into battery grade lithium hydroxide. Feedstock for the 10,000 tpa Naraha Plant will be sourced from the Olaroz Lithium Facility's Stage 2 Expansion that will produce primary grade (>99.0% Li₂CO₃) lithium carbonate.

Since construction commenced at the Naraha Plant there have been no LTIs recorded with nearly 100,000 hours worked on the project. An earthquake occurred on 13 February which caused only minor damage to the office building, no defects have been found in the plant. A further earthquake occurred in March with no damage or injury to personnel or the site.

At 31 March, approximately US\$50 million has been spent on engineering, civil works, electrical, instrumentation, fabrication and procurement at the Naraha Plant. Capex spend has remained relatively static due to the agreed payment schedule with Veolia, the EPC contractor.

Site operations have continued throughout the period with construction now approximately 94% complete. Commissioning will be delayed until Q1 CY22 due to COVID-19 related delays of travel to site by Veolia's international commissioning engineers and technicians.

SHARED VALUE PROGRAM AND COMMUNITY

The Shared Value team built on their knowledge of local communities and sustainability with a combination of remote work and a number of visits to communities that are directly and indirectly influenced by the company's operations.

Key actions during the quarter included:

Community Relations

- Management of work rosters within COVID-19 limitations: Communication with Community Coordinators, local government contacts and local suppliers to manage and confirm the date and location of PCR sample collection (COVID-19 tests) and the transfer schedules for rostered employees
- Identification of risks and opportunities for the social development of communities within the COVID-19 environment. COVID-19 has presented new challenges for the management of interaction and implementation of programs within local communities
- Ongoing engagement and field visits with community leaders and community members to respond to their queries related to development programs
- The expansion project director and team made presentations to local communities on plans and opportunities for local suppliers and future employee needs

Community development programs

Program to Support Food Independence: Family Food Production Units UPAF

A program to encourage independent food supply in local communities continued during the quarter. In

Coranzuli families are finishing the harvesting stage with excellent results for vegetables and fruit such as chard, lettuce, tomatoes, beans, strawberries and raspberries. In Olaroz the community continued with construction of greenhouses that are now 70% complete. Plans and materials are being arranged for a planting of winter crops which is expected in May.

Sustainable Management of Vicuñas at Olaroz Chico

Participants in the Vicuña management program at Olaroz Chico were supported in the development of a conservation and management plan. Family Farming program technicians from the National Institute of Technology (Jujuy) and community members have been planning and obtaining approval for construction of additional infrastructure for management of the Vicuña herd.

MARKET

The lithium market continued recovering during the March 2021 quarter. Average global prices for lithium carbonate increased by more than 50% from the December 2020 quarter as demand from cathode manufacturers continued to increase production in response to the Electric Vehicle (EV) driven demand.

DEMAND

Demand for Electric Vehicles (EVs) continues to accelerate with global sales during January and February 2021 more than double those of January and February 2020 as sales were constrained by COVID-19 in China.

EV models with lithium carbonate dominant chemistry batteries continue to be the preference in China where the battery grade lithium carbonate spot prices increased approximately 90% during the March quarter as cathode manufacturers rushed to secure supply. Prices in Asia-ex China increased by approximately 25% during the quarter.

Support from national governments towards EVs strengthened during the March 2021 quarter particularly in North America with the Biden administration committing US\$174 billion investment in EVs through a mix of subsidies to individuals and the private sector, as well as replacing the government's vehicle fleet with EVs.

Longer- term EV demand outlook has been revised upwards by a range of market analysts in recent months, suggesting that estimated global sales will increase from 3.2 million units in 2020 to approximately 14 million units by 2025. Demand for lithium chemicals is expected to increase to approximately 1 million tonnes by 2025 following recent investment commitments on battery giga factories by the private sector.

SUPPLY

Lithium chemicals production continued at reduced capacity in China during March 2021 which was impacted by the spring holiday as well as restricted feedstock supply from Chinese brines due to cold weather conditions and reduced production capacity from Australian spodumene producers. Such market dynamics coupled with increased demand from cathode manufacturers led to further inventory reductions in the region and pricing increases for spodumene and lithium chemicals in the spot market.

In response to the favourable market conditions, Australian spodumene producers and Chinese converters are expected to increase production/conversion capacity throughout the rest of CY2021. Additional lithium chemicals production is also anticipated from South American producers towards late 2021. However, it's estimated that global lithium chemicals production will not be able to catch up with growth in demand in the short term.

BORAX ARGENTINA S.A.

SAFETY

Borax has improved safety performance and the team have worked hard to restore the safety commitment and accountability at all levels of the operating business.

Subsequent to the safety review last year, there have not been any LTI or Environmental incidents at the three operational Borax sites. As at 31st March, Sijes recorded 274 days free of accidents, Tincalayu achieved 258 days and Campo Quijano has had 217 days without an LTI.

This quarter Borax successfully finished the annual shutdown in Sijes and in Tincalayu without any Safety or Environmental incidents.

A Monthly Safety Committee was developed. Initiatives that will be implemented over the rest of the year include the development of a local emergency response team, improvement of the work permit safety system and the use of Intelx workflows to report, investigate and track corrective actions of adverse events.

The Management team is setting objectives for the next financial year to fully implement leading and lagging indicators. Some of the Dupont initiatives implemented in SDJ are being considered for implementation at Borax.

PRODUCTION, SALES AND OPERATIONAL UPDATE

The March quarter achieved sales of 10,282 tonnes, down 3% QoQ and down approximately 4% from the PCP. Total sales revenue was up 5% QoQ with the average price received up 8% QoQ.

Operations have continued under the Orocobre Bio-security Protocol.

COMBINED PRODUCT SALES VOLUME BY QUARTER

CORPORATE AND ADMINISTRATION

FINANCE

CASH BALANCE

At 31 March 2021, Orocobre corporate had available cash of ~US\$241.6 million of which US\$11.1 million and US\$85.5 million have been set aside as pre-completion guarantees for the Naraha debt facility and Olaroz Expansion debt facility respectively.

The US\$5.2 million corporate net cash reduction from the previous quarter was the result of US\$3.8 million advanced to SDJ Joint Venture as a shareholder loan to largely fund finance payments, US\$1.5 million corporate costs and US\$0.2 million other project payments partially offset by US\$ 0.3 million of interest income.

Including SDJ and Borax cash and project debt, net group cash at 31 March 2021 was US\$97.7 million, down from US\$119.8 million at 31 December 2020 as calculated below and after including Naraha facilities:

ARGENTINA ECONOMIC CONDITIONS

Currency: The official foreign exchange rate depreciated by 9.3% in the March quarter from AR\$84.15 at 31 December 2020, to AR\$92 at 31 March 2021. The accumulated 12-month period from 1 April 2020 to 31 March 2021 resulted in a ~43% devaluation of the AR\$ against the US\$.

Inflation: March inflation was 4.8% and accumulated ~13% in the quarter. The accumulated 12-month period

from 1 April 2020 to 31 March 2021 resulted in inflation of approximately ~43%.

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Die URL für diesen Artikel lautet:

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