

Orocobre mulls way forward at rich Argentine lithium/potash project

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TORONTO (miningweekly.com) - TSX- and ASX-listed junior Orocobre plans to publish an initial inferred resource estimate and outline its thinking for development of the high-grade lithium/potassium Salar de Salinas Grandes project in the first quarter of 2011.

Also in the first quarter, the company will complete a definitive feasibility study on its more advanced Salar de Olaroz brines project, which is scheduled to start production in 2012, ramping up to full operations in 2013.

Both projects are located on salt flats in Argentina.

The company has not decided whether it will take on a partner or develop the Salinas Grandes resource itself, said chairperson James Calaway, who has described the discovery as a 'game changer' and compares it with SQM's high-grade Atacama operation in Chile.

Orocobre has received numerous approaches from interested parties, but wants to have a better idea of what it has at Salinas Grandes before making any decisions, he said in an interview in Toronto on Thursday.

Toyota's Tsusho company, which is earning a 25% interest in the Olaroz project, in exchange for the completion of a feasibility study and project development funding, has also expressed interest in Salinas Grandes.

Some options that might be considered include just partnering with a fertiliser company on the potassium side of the project, or starting the operation as a potassium project and adding lithium capacity at a later point, Calaway said.

But the company is not interested in giving up rights any of the lithium production, he added.

Salinas Grandes has "anomalously" high lithium levels, combined with high levels of potassium and almost non-existent sulphate levels which will help potassium recoveries, Calaway said.

"It is becoming more exciting as we think it through more fully, and I think it's the story that is not factored properly into the market."

The project will be quicker to develop than Olaroz, and could start production around 2014, he indicated.

"It will be behind [Olaroz], but not that far behind. Maybe not more than a year or so."

SURGING DEMAND

Lithium supply may need to as much as triple by 2020 to keep pace with demand growth, Calaway said.

There is a lot of excitement about potential demand growth for lithium batteries in electric-powered vehicles, but lithium-ion batteries already power a wide range of other products, including mobile phones and laptop computers.

There will be "significant" lithium demand growth over the next four or five years, but new supply coming onstream over the next couple of years may prevent tightness in the market during that period, Calaway said.

"But from 2015 to 2020, all of a sudden we are into this steeper demand shift where the automobile demand starts becoming really significant.

"And that's what the Asians are worried about, is that timeframe - 2015 to 2020 and beyond," he said.

"We are going to double the need for lithium carbonate in the world, with almost certainty. Annual production is going to need to double by 2020, you can bank on that.

"But if the automobile demand hits the mid-point of the forecasts, then we are really talking about needing to triple by 2020."

Lithium carbonate prices will likely move in a range between \$4 000/t and \$6 000/t in the coming years, he said.

It may drop briefly below \$4 000/t, and may spike for short periods as high as \$7 000/t, he said.

OLAROS PILOT

Orocobre announced earlier this week that it has produced the first lithium carbonate at test facilities on site at the Olaroz project.

The company is now working on tweaking and optimising the process, and plans to send the first batches of battery-grade lithium carbonate to end-users within the next month or so, Calaway said.

Toyota Tsusho, which also supplies materials to other Japanese and Asian companies, is assisting with marketing the Olaroz production to Asian firms, Calaway said.

To begin with, most of the Olaroz output will be sold to companies in Japan and Korea.

The definitive feasibility study for the project was originally to have been completed in the third quarter of this year, but the company decided to use sonic drilling to improve core recoveries.

The drill took an unexpectedly long time to import from Chile, but everything is now running smoothly and will be ready for the first quarter 2011 deadline, Calaway said.

The Olaroz project will produce an estimated 15 000 t/y of lithium carbonate and 36 000 t/y of potash in the first stage of development.

Shares in Orocobre rose 4,08% on Thursday, to C\$2,55 apiece by 15:24 in Toronto. The company listed on the TSX in June this year.