

Orocobre Limited: Quarterly Activities & Cashflow Report - December 2014

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Brisbane, Australia (ABN Newswire) - [Orocobre Ltd.](#) (ASX:ORE) (TSE:ORL) announce the Quarterly Activities & Cashflow Report for the period ending December 2014 with significant highlights.

Olaroz Lithium-Potash-Boron Project:

- All auxiliary circuits were commissioned during the quarter and first primary lithium carbonate produced on 21st November. Commissioning process moved on to purification and micronising circuits.
- An official opening ceremony held onsite 3rd December attended by Jujuy Governor, Dr Eduard Fellner and over 300 local and international guests.
- Exploration target between 1.6 and 7.5 million tonnes of lithium carbonate equivalent between the current resource from 197m and 323m depth defined in continuous thick sand horizon. The hydrogeology indicates higher bore pumping rates are possible which would reduce the capital cost of the first expansion at Olaroz.

Borax Argentina

- Ramp up continued at borax plant at Tincalayu.
- Tincalayu historical estimates have been upgraded to JORC/NI43-101 compliant and indicate a much larger resource than expected.
- Whittle 4D modelling indicates that the Tincalayu resource has a potential mining life in excess of 30 years based on optimum discounted cashflow criterion. Technical studies have been initiated to investigate expansion options.

Corporate

- Sales de Jujuy, a subsidiary of Orocobre, was awarded Mining Company of the Year on 19th November by Argentine mining magazine Panorama Minero and the Fundacion para el desarrollo de la Mineria Argentina ("Fundamin or Foundation for Development of Argentina Mining).
- Annual General Meeting was held 21st November with all resolutions passed as ordinary resolutions. John Gibson and James Calaway were re-elected as directors.
- "Primary Lithium Carbonate Production" and "Opening Ceremony" video uploaded to the Company website.

Olaroz Lithium-Potash-Boron Project

The Olaroz Project is Orocobre's flagship project located in Jujuy province of Argentina. Together with partners, Toyota Tsusho Corporation ("TTC") and Jujuy Energia y Minería Sociedad del Estado ("JEMSE"), Orocobre has built the first large scale "green fields" lithium brine project in approximately 20 years. First primary lithium carbonate was produced on 21st November and the commissioning of the remaining circuits of the plant are nearing completion. The Olaroz Project joint venture is operated through Argentine subsidiary Sales de Jujuy SA (SDJ SA). The effective Olaroz Project equity interest is: Orocobre 66.5%, TTC 25.0% and JEMSE 8.5%.

Construction Completion and Commissioning

In late November 2014 the company announced first production from the plant's primary lithium

carbonate circuit and the successful commissioning of all auxiliary circuits. On December 3rd, 2014 the Governor of the Province of Jujuy, Dr. Eduardo Fellner and other top government dignitaries officially opened the Olaroz operation in the presence of over 300 guests, including representatives from Orocobre, TTC, JEMSE, JOGMEC and Mizuho Bank.

Once the commissioning of the final circuits of the lithium carbonate plant is completed, lithium carbonate will be produced for supply to over 30 customers in Asia, Europe and the United States in order to complete the final stage of the product testing and approval process. This is the end of a qualification process which for some customers commenced nearly 4 years ago during the Feasibility Study when the first samples from the pilot plant were supplied to prospective customers.

Resource Development and Significance

The Olaroz project originally consisted of two borefields containing bores at depths of 200 meters with well screens over the majority of their lengths to maximize brine inflows which extract brine from the resource to 197m. The design of these borefields was to provide flow rates of 180l/s with two bores offline at any one time. In April 2014, Orocobre began testing the exploration potential beneath the current resource with two additional bores, P301 and P302 drilled to 304m and 323m respectively. The Company also intended to test the peak flow rates of the bores and installed a 10 inch internal casing and higher flow 8 inch pump to P302 which was intended to allow for the faster buildup of lithium brine stock.

On the 23rd October 2014 Orocobre released the results of the borefield drill testing (see announcement Olaroz Project Large Exploration Target Defined, 23 October 2014) which suggested significant upside potential of the current resource in terms of additional high chemistry brine resource as well as an increase in the potential pumping rate which in turn correlates to a lower capital cost for future expansion plans at Olaroz.

Both P302 and P301, which are spaced 1 kilometer apart, intersected a sand unit >100m thick. Geological interpretation suggests that this sand unit may be continuous beneath a significant area of the salar with the exploration target corresponding to this sand unit between 1.6 and 7.5 million tonnes of lithium carbonate equivalent between 197m and 323m depth. Furthermore, there is the potential for additional brine from 323m to the bottom of the basin, which geophysical surveys suggest is up to 600m deep and additional targets to the north and the south of the exploration target area. This deeper sand unit has the characteristics to support high volume brine production, with lithium concentrations and chemistry comparable to other operating wells. This will significantly reduce the capital cost for additional brine supply and pipeline systems which will be needed for the first expansion at Olaroz.

Borax Argentina

Borax Argentina has extensive operations and a fifty year production history, producing borax chemicals, boric acid and boron minerals. The production currently comes from three principal mines at Tincalayu, Sijes and Porvenir with concentrators at the first two locations and a chemicals plant at Campo Quijano producing refined products.

Operations

Approximately 12,970 tonnes of combined products were sold during the quarter. This is approximately a 5% improvement on the previous quarter and a 13.6% improvement on the same quarter last year.

Following relocation of the borax decahydrate plant from Campo Quijano to Tincalayu which was completed in the previous quarter, production continued to ramp up and by the end of the quarter was both meeting sales requirements and building up modest stock levels of refined products. However, sales of borax products were affected by lack of product during the ramp up and lack of stock following the plant relocation.

Towards the end of the quarter, the company achieved two important sales initiatives. One was the first order of hydroboracite into the European market. The second was the awarding of a 12 month contract for sodium metaborate into the South American oil industry.

SAP Implementation

Problems associated with SAP implementation in local tax processes resulted in delays in recoupment of IVA (GST) which has impacts on the working capital needs for the Company. The SAP issues have now been

rectified, Stand by Letters of Credit (SBLCs) were put in place to provide working capital for Borax in the short term and it is expected that the IVA will be received over the coming two quarters.

Tincalayu Resource Upgrade to JORC Compliant

Orocobre announced on the 18th November 2014 (see announcement, Tincalayu Historical Estimate Upgraded to JORC Compliant Resource) the upgrade of Borax Argentina's Tincalayu resource from Historical Estimates to JORC Compliant resource. The upgraded JORC Compliant resource is estimated to be much larger than expected with an Indicated and Inferred Resource of 6.5 million tonnes at 13.9% B₂O₃ at the marginal cut-off of 5.6% B₂O₃ appropriate to the current production capacity of 30,000tpa borax decahydrate. At a marginal cut-off of 2.8% B₂O₃, appropriate for a possible expanded production rate of 100,000tpa borax decahydrate there is an Indicated and Inferred Resource of 17.8 million tonnes at 11% B₂O₃. Both of these scenarios provide significant exploration potential when compared to the superseded historical estimate of 1.85 million tonnes at 17.2% B₂O₃ estimated at a 12% B₂O₃ cut-off and adjusted for mining depletion to 2011.

The company intends to continue with the process of upgrading the historical estimates of the different Borax Argentina mining properties to JORC/NI43-101 compliant mineral resources. To date both the Porvenir and Tincalayu resources have been upgraded and announced in accordance with the requirements of JORC 2012. Geological interpretation is currently underway for the Sijes mine, where Borax Argentina has extensive properties that contain a number of different borate minerals. The historical estimate (now superseded) of the Tincalayu deposit was at the time of purchase only a small part of the overall quantity of borates. However, with the lower cut-off grade applied in this resource estimate the Tincalayu resource is considerably larger and the strategic importance has therefore increased for the Company.

Corporate and Administration

Cash Position

At the end of the quarter, the company had a cash position of A\$19.1m with a proportion of this total committed to Stand by Letters of Credit as explained below.

As detailed in Note 1 and Note 2 in the attached Appendix 5B there are Stand by Letters of Credit (SBLCs) in place for both SDJ SA and Borax Argentina. A SBLC allows Orocobre to provide working capital to SDJ SA and Borax Argentina by depositing funds in USD as security in a restricted term deposit. This allows a SBLC to be issued which in turn allows SDJ SA and Borax Argentina to draw down funds in Argentina to the equivalent ARS\$ (peso) value.

The SBLCs relating to SDJ SA total A\$18.4m (US\$15.75m) and the SBLCs relating to Borax Argentina total A\$3.6m (US\$3m) which is a component of the A\$4.4m overdraft facility. The need for SBLCs to provide working capital for SDJ SA has arisen principally due to delays in the production start up. In the case of Borax Argentina, SBLCs were issued in the last two quarters to fund delays in the recovery of Value Added Tax (VAT), the ramp up of the borax plant and the build up of inventory.

Once SDJ SA becomes cash flow positive, the funds drawn down will begin to be repaid and the amount required to be held as security in the SBLC facility will also begin to reduce, resulting in cash flow in USD back to Orocobre. The Company expects this to commence in Q2 2016 in relation to SDJ SA and in relation to Borax Argentina, the Company expects cash in-flow to commence in Q3 2015. Therefore, the funds are restricted but recoverable and also earn a nominal rate of interest while held as security in the term deposit.

Mining Company of the Year 2014 Award

On the 19th of November in Buenos Aires, Argentina mining magazine Panorama Minero and the Fundacion para el desarrollo de la Mineria Argentina ("Fundamin or Foundation for Development of Argentina Mining) named Orocobre Group's subsidiary Sales de Jujuy SA as "Mining Company of the Year 2014". The Orocobre Group continues to be recognised from both government and private entities for its ongoing Corporate Socially Responsible activities. The Company has been honoured in the past by receiving the 2012 Mining Company of the Year Award as well as the 2013 and 2014 Silver Cup Award by Inversiones Empresas y Negocios for undertaking outstanding corporate socially responsible activities within the local communities. Orocobre continues to partner with local governments, businesses and communities to deliver on its promise to create a sustainable, responsible and mutually-beneficial operating environment for all.

To view figures and diagrams, please visit:

<http://media.abnnewswire.net/media/en/docs/ASX-ORE-840588.pdf>

About Orocobre Limited:

[Orocobre Ltd.](#) is listed on the Australian Securities Exchange and Toronto Stock Exchange (ASX:ORE) (TSE:ORL), 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 is building in partnership with Toyota Tsusho Corporation the first large-scale, "greenfield" brine based lithium project in 20 years at its flagship Salar de Olaroz resource, with projected production of 17,500 tonnes per annum of low-cost battery grade lithium carbonate scheduled to commence at the end of Q2, 2014. The Company also wholly-owns Borax Argentina, an important regional borate producer. Orocobre is included in the S&P/ASX 300 Index and was named 2012 Mining Company of the Year by Argentine mining magazine Panorama Minero and the Fundacion para el Desarrollo de la Mineria Argentina ("Fundamin" or Foundation for Development of Argentina Mining).

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