Orocobre Limited: Quarterly Activities & Cashflow Report - March 2015

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Brisbane, Australia (ABN Newswire) - The Olaroz Lithium Facility is Orocobre Ltd.'s (ASX:ORE) (TSE:ORL) flagship project located in the Jujuy province of Argentina. Together with partners, Toyota Tsusho Corporation (TTC) and Jujuy Energia y Mineria Sociedad del Estado (JEMSE), Orocobre is now operating the first large scale "green fields" lithium brine project in approximately 20 years. The Facility is ramping up commercial production to reach the nameplate monthly production of 1,450 tonnes per month (17,500tpa) expected to be reached during the fourth quarter of 2015. The Olaroz Lithium Facility joint venture is operated through Argentine subsidiary Sales de Jujuy SA (SDJ SA). The effective equity interests are: Orocobre 66.5%, TTC 25.0% and JEMSE 8.5%.

Commissioning and Production

On 2 February 2015 the Company announced the completion of the commissioning phase for the lithium carbonate plant at the Olaroz Lithium Facility. With the successful commissioning of the plant circuits the Facility was able to enter into the commercial production ramp-up stage.

During the production ramp-up stage the focus of activities was on the establishment of process control parameters and operating procedures to allow production of consistent quality product at the Olaroz Lithium Facility and the transition to commercial production.

The first priority was the operation of the primary lithium carbonate circuit, in particular the removal of magnesium and calcium with the polishing filter and the development of operating controls on the primary lithium carbonate reactor. Over the past weeks these process control parameters and operating procedures have been successfully developed and the primary circuit is producing primary lithium carbonate product within the specification for feed to the purification circuit. Similarly, within the purification circuit process, process control parameters and operating procedures have been successfully developed on absorption, IX and crystalliser circuits and the purification circuit is producing high quality product suitable for both industrial and battery industry markets. The drying and compacting/micronising circuit is also working well.

During this early operational stage a number of improvements have been made to the circuit overcoming various bottlenecks. These include using steam injection directly into the lithium carbonate crystalisers in the purification circuit which has removed the lithium carbonate encrustation issue in the circuit that was previously affecting availability. In addition a number of other minor construction defects, which might be considered typical of any new plant, have been rectified.

With the establishment of process controls and operating procedures to produce high quality product and the removal of "bottle necks", attention will move over the coming months to increasing circuit availability, plant efficiencies and throughput.

Dispatch of Samples

Commercial samples produced from the Olaroz Lithium Facility are being dispatched to customers as the final stage of product qualification. The time period for final sample approval, where required, varies from 1 week to 3-6 months depending on the specific customer requirements.

As some customers do not require a sample for final approval the first commercial sales order has also been dispatched to a European customer. TTC, as Commercial Sales Agent for the Olaroz Lithium Facility, has finalised a number of customer contracts for 2015 supply. There has been significant focus on ensuring optimal diversity is built into the customer base across markets and geography.

TTC has also received the first firm orders for supply to third parties of 5,000tpa of product, subject to final quality confirmation. It is currently anticipated that the orders for all of 2015 production from the Olaroz Lithium Facility will be received by 30 June 2015.

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 8,981 tonnes of combined products were sold during the quarter. This is in line with the March quarter the previous year. This is down on the previous two quarters due to the September and December quarters containing a substantial volume of ore sales, which was a management decision to offset slower than expected ramp-up of refined products following the relocation of the borax plant.

Combined Product Sales Volume by Quarter*

2013/2014 Quarters		2014/2015 Quarters	
June 2013	9,562	June 2014	9,558
September 2013	10,103	September 2014	12,325
December 2013	11,410	December 2014	12,970
March 2014	9,027	March 2015	8,981

*Combined product sales volumes include borax chemicals, boric acid and boron minerals and includes sales of tincal ore of 4,021 tonnes in September quarter and 4,225 tonnes in the December quarter

Corporate and Administration

Cash Position

At the end of the quarter, the Company had a cash position of A$66.4m with a proportion of this total committed to Stand by Letters of Credit as explained below.

As detailed in Note 1 in the attached Appendix 5B, there are Standby Letters of Credit (SBLCs) in place for SDJ SA. A SBLC allows Orocobre to provide working capital to SDJ SA 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 to draw down funds in Argentina to the equivalent ARS$ (peso) value.

The SBLCs relating to SDJ SA total A$40.616m. The need for SBLCs to provide working capital for SDJ SA has arisen principally due to delays in the production start-up.

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. Therefore, the funds are restricted but recoverable and also earn a nominal rate of interest while held as security in the term deposit.

$50m Capital Raising

During the quarter the Company announced a $50m capital raise comprising a $40m placement to both domestic and international institutional and sophisticated investors and a $10m underwritten Share Purchase Plan (SPP). Both the SPP and the Private Placement were completed at an issue price of $2.55 per share the proceeds of the capital raise will be used primarily to fund working capital requirements for the Olaroz Lithium Facility during the production ramp-up stage.

The Company received strong support in both the placement and the SPP with the total A$50,000,000 raised. Company Chairman, James Calaway and Managing Director and Chief Executive Officer, Richard Seville also participated in the capital raise subscribing for 267,563 and 100,000 shares respectively at the issue price of $2.55 per share.

Sydney Mining Club Presentation

On 2 April 2015 Company management presented at the 198th Sydney Mining Club Lunch held at the

Tattersalls Club in Sydney. The theme of Orocobre's presentation was "Right Place, Right Time" which focused on the supply and demand dynamic in the lithium market and the imminent supply side shortage.

About Orocobre Limited

Orocobre Ltd. is listed on the Australian Securities Exchange and Toronto Stock Exchange (ASX:ORE) (TSX: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 has built, in partnership with Toyota Tsusho Corporation and JEMSE, the first large-scale, greenfield brine based lithium project in 20 years at the Salar de Olaroz with planned production of 17,500 tonnes per annum of low-cost battery grade lithium carbonate. The full monthly production rate is expected to be reached in the last quarter 2015.

The Olaroz Lithium Facility has a low environmental footprint because of the following aspects of the process:

- The process is designed to have a high processing recovery of lithium. With its low unit costs, the process will result in low cut-off grades, which will maximise resource recovery.

- The process route is designed with a zero liquid discharge design. All waste products are stored in permanent impoundments (the lined evaporation ponds). At the end of the project life the ponds will be capped and returned to a similar profile following soil placement and planting of original vegetation types.

- Brine is extracted from wells with minimum impact on freshwater resources outside the salar. Because the lithium is in sedimentary aquifers with relatively low permeability, drawdowns are limited to the salar itself. This is different from halite hosted deposits such as Salar de Atacama, Salar de Hombre Muerto and Salar de Rincon where the halite bodies have very high near surface permeability and the drawdown cones can impact on water resources around the Salar affecting the local environment.

- Energy used to concentrate the lithium in the brine is solar energy. The carbon footprint is lower than other processes.

- The technology developed has a very low maximum fresh water consumption of <20 l/s, which is low by industry standards.

- Sales de Jujuy S.A. is also committed to the ten principles of the sustainable development framework as developed by The International Council on Mining and Metals. The Company has an active and well-funded "Shared Value" program aimed at the long term development of the local people.

The Company continues to follow the community and shared value policy to successfully work with suppliers and the employment bureau to focus on the hiring of local people from the communities of Olaroz, Huancar, Puesto Sey, Pastos Chicos, Catua, Susques, Jama, El Toro, Coranzulí, San Juan and Abrapampa. The project implementation is through EPCM (Engineering, Procurement and Construction Management) with a high proportion of local involvement through construction and supply contracts and local employment. The community and shared value policy continues to be a key success factor, training local people under the supervision of high quality experienced professionals.

To view tables and figures, please visit:
http://media.abnnewswire.net/media/en/docs/ASX-ORE-855360.pdf

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