Orocobre Limited: Quarterly Activities & Cashflow Report - September 2015

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Brisbane, Australia (ABN Newswire) - The Olaroz Lithium Facility is Orocobre Ltd.'s (ASX:ORE) (TSE:ORL) (OTCMKTS:OROCF) 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 lithium brine plant commissioned in approximately 20 years. Although not containing components of inherent risk, the Olaroz lithium carbonate facility is a globally unique facility operating at high altitude and has its own set of project specific challenges.

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%.

Production Update

During the September quarter 492 tonnes of lithium carbonate product were produced. Production in October to date has significantly exceeded the September level and an Olaroz Lithium Facility Update will be released soon after the end of the month. Progress has continued on the de-bottlenecking program which has been outlined below as per the Olaroz Lithium Facility Operations Update dated 21 October 2015:

Heat Exchangers:

Elevated temperatures in the return solutions in the purification circuit had made the absorption part of the circuit approximately 10 degrees higher than target, thus limiting lithium carbonate dissolution (i.e. the level of lithium carbonate able to be held in solution). Successful modifications to the plant have now been completed resulting in reductions in temperature to 15oC (better than the target range of 18-20oC) being achieved through use of the cold incoming brine as cooling fluid.

However, the use of cold brine in cooling has resulted in gradual blocking of the heat exchanger plates on the cold brine side causing a reduction of availability in the circuit by 30%. This blocking occurs from crystals pumped from the concentrated brine feed pond and crystal precipitation from the brine.

The blocking of the heat exchanger plates results in inconsistent temperatures leading to the collection of solid lithium carbonate in the tanks after the absorption stage. To solve this issue there are two steps required:

1. flocculants will be used to settle the suspended magnesium, sodium, boron and calcium salts in the pond to stop crystals being pumped from the concentrated brine feed pond to the lithium carbonate plant. This will allow a clarified brine to be fed to the lithium carbonate plant and reduce the incidence of crystal formation on the heat exchanger plates; and

2. additional heat exchangers will be installed in parallel to those already installed. This will allow the shutdown and cleaning of one heat exchanger at a time without impacting on production.

The use of flocculants in the concentrated brine feed pond to floc and settle the suspended salt crystals will produce a clarified brine and a lower loading of salt crystals in the brine being fed into the plant resulting in a slower rate of crystal formation and slower build up on the heat exchanger plates. The installation of two additional heat exchangers also allows cleaning to occur without impacting on the production rate and effectively provides some latent heat exchanger capacity.

These enhancements will be completed by early December. The maximum production achievable until these modifications are completed will be ~22 tonnes of lithium carbonate per day with ~30 tonnes per day achievable after optimizing existing available heat through the circuit.

- Magnesium and Calcium removal by Centrifuges:

The first of the two centrifuges continues to operate well with a capacity of 40m3/hr of brine feed into the

plant. To reach the nameplate flow rate a second centrifuge, which is already on site, will be installed in November.

- Outotec Polishing Filters:

The replacement of the Outotec polishing filters by centrifuges to remove calcium and magnesium allowed these filters to be used to provide additional filtering capacity to recover lithium carbonate solids remaining in the circuit prior to discharge from the plant. This modification was completed during September. The improvement in recovery was less than expected and highlighted that:

a) solids losses directly from the primary reactors were minimal, which is positive

b) lithium carbonate solids were accumulating from the plant drainage in a large concrete environmental tank prior to discharge from the plant. Subsequent investigations have indicated a potential additional 150 tonnes of saleable lithium carbonate in this tank that will now be recovered and sold. The system will also be changed to stop lithium carbonate reporting to this tank over coming weeks.

- Boiler Increase:

The additional boiler will be installed by the end of November. However, lead times for importing some specialist piping and equipment that cannot be sourced locally and installation of same will delay the commissioning of the new boiler to early January. The increase in boiler capacity will permit the crystallizers and purification circuit to meet full capacity.

Production Guidance and Brine Inventory

The Olaroz Lithium Facility will reach breakeven point on an operating cost basis (net of taxes paid or reimbursed), when production reaches approximately 650 tonnes per month, subject to variability in final average sales price. The Company has previously advised that this would occur in October 2015 however, due to the engineering matters discussed above, this is now expected in December 2015.

All de-bottlenecking projects impacting production are now scheduled to be completed by early January 2016 permitting the plant to enter the final stage of ramp up and achievement of the nameplate production run rate. The timing of achievement of the nameplate production run rate is dependent upon the successful optimisation of operating practice once the debottlenecking rectifications are complete. At the end of the quarter, brine inventory was approximately 40,000 tonnes of lithium carbonate equivalent (LCE) up from approximately 32,000 tonnes of LCE at the end of June. There are no material changes to the capital cost estimates previously announced in the "Olaroz Lithium Facility Operations Update" dated 21st September 2015 and reaffirmed in the subsequent "Olaroz Lithium Facility Update" dated 21st October 2015.

Sales Orders

Commercial shipments of lithium carbonate have been and continue to be dispatched from the Olaroz Lithium Facility to Europe, Asia and the USA. All product that has been reported as produced is saleable product and has been sold or committed to a customer's purchase order. As previously advised, samples have also been sent to a number of battery and industrial sector customers as the final stage of product qualification.

The inventory level of lithium carbonate held at any given time is minimal. There is a lag between production of product and the sale being recorded as each export order needs to have a vessel booked, a document bundle produced (including bill of lading and commercial invoice) and be transported to the port.

All forecast production for CY2015 has been fully committed.

The main customer concern remains the long term security of quality supply. Once in full production the Olaroz Lithium facility should substantially fulfil this need.

Market Conditions

Prices in recent times have been steadily increasing to over US$6,000/tonne with further increases expected into CY2016 and beyond as lithium market conditions continue to tighten. Strong market demand and supply side constraints are resulting in continued upward pressure on market prices for lithium carbonate. FMC Corporation (NYSE:FMC) announced a 15% price increase in September for lithium products, effective 1st October 2015 and early indications are that a double digit percentage market price increase will be achieved

for lithium compounds in 2016.

Borax Argentina

Borax Argentina has extensive operations and a fifty year production history, producing borax chemicals, boric acid and boron minerals. 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.

Market Conditions

Borax Argentina has been experiencing some challenging market conditions as a result of soft economic conditions in Brazil, historically its largest market. The downturn in the Brazilian economy and in particular a poor agriculture season has resulted in increased competition and downward pressure on market prices for all borates products.

Borax Argentina continues to actively pursue a geographic and product diversification strategy in order to better insulate the business from localised economic and market cycles.

Operations

Approximately 8,124 tonnes of combined products were sold during the quarter. This is approximately in line with the corresponding quarter last year (8,304 tonnes) and with the previous quarter (8,061 tonnes) when adjusted for low value tincal ore tonnes sold in the past. There were no tonnes of tincal sold this quarter.

Combined Product Sales Volume by Quarter*

2013/2014 Quarters		2014/2015 Quarters	
December 2013	11,410	December 2014	8,745
March 2014	9,027	March 2015	8,981
June 2014	9,558	June 2015	8,061
September 2014	8,304	September 2015	8,124

*Combined product sales volumes include borax chemicals, boric acid and boron minerals and does not include sales of tincal ore of 4,021 tonnes in September 2014 quarter, 4,225 tonnes in the December 2014 quarter and 2,061 tonnes in June 2015 quarter.

Borax Argentina is continuing to successfully produce boric acid at the Campo Quijano boric acid plant using hydroboracite in place of ulexite. The hydroboracite being used is the tailings from the Sijes concentrator, grading approximately 28-30% B_2O_3, which is a higher grade than the ulexite mined at Porvenir.

Hydroboracite has lower chloride levels than ulexite thus reducing the bleed of mother liquor from the plant while increasing recoveries and environmental benefits. The lower chloride levels in hydroboracite will also reduce plant maintenance. The cost of producing boric acid from ulexite is relatively high cost because the mining involves extraction of thin beds, with drying and screening taking place before transporting to the plant. The use of hydroboracite tailings will result in significantly lower boric acid costs. As previously advised Borax Argentina has received a loan approved of AR$29m (approx. US$3m) to fund productive asset improvements. These funds are being used to a) relocate the pentahydrate plant from Campo Quijano to Tincalayu to allow for the manufacture of pentahydrate on site at Tincalayu instead of transporting decahydrate to Campo Quijano for processing and b) increase production capacity at the boric acid plant by 20%. The current boric acid plant at Campo Quijano has a production cap
acity of 9,000tpa.

Corporate and Administration

Cash

Unrestricted cash on hand (i.e. cash not committed to a Standby Letter of Credit (SBLC)) at the end of the quarter was A$10.3m from a corporate perspective and A$11.3m from a group perspective (taking into account a A$1.46m Borax Argentina overdraft).

Financing

As detailed in Note 1 in the attached Appendix 5B, there are 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.

Post the quarter end, a process to enable better value to be extracted from these USD deposits has been advanced and it is expected that the Company will be able to provide SDJ SA with the necessary financial support through to positive operating cash flow without recourse to further funding.

In March 2016, SDJ SA will make the next principal and interest payment of approximately US$13m. The Company and its joint venture partners are assessing various project level options, including working capital facilities and product prepayment arrangements with customers with the objective that any part of this payment that is not met by operating surpluses is otherwise covered.

Corporate Governance

During the quarter the Company undertook an intensive overhaul of its internal policies and procedures as well as the existing Corporate Governance documents to better align with the updated Australian Securities Exchange Corporate Governance Council's "Corporate Governance Principles and Recommendations, 3rd Edition". These updated documents have been made available on the Company's website and reflect Orocobre's commitment to being a responsible and sustainable business.

To view all tables and figures, please visit:
http://media.abnnewswire.net/media/en/docs/ASX-ORE-888686.pdf

About Orocobre Limited:

Orocobre Ltd. is listed on the Australian Securities Exchange and Toronto Stock Exchange (ASX:ORE) (TSE:ORL) (OTCMKTS:OROCF), 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.

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