# Orocobre Limited - Full Year Statutory Accounts

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Brisbane - Orocobre Ltd. (ASX:ORE) (TSE:ORL) (OTCMKTS:OROCF) are pleased to provide the Company's Full Year Statutory Accounts.

Review of Results

Group financial performance

To assist readers to better understand the financial results of Orocobre, the financial information in this Operating and Financial Review includes non-IFRS financial information. The financial information has been translated to US dollars using average exchange rates for the relevant period.

Summary of results for the year ended 30 June 2016 (US$) can be viewed in the link below.

The Group incurred in a net loss after tax of US$22 million (30 June 2015: US$0.9 million loss), which was almost entirely composed of a non-cash foreign exchange loss of US$20.9 million and US$1.6 million related to the arbitration with Rio Tinto Minerals, now completed.

As a result of the large devaluation of the Argentine Peso during the year ended 30 June 2016, the Group's results were dominated by the impact of foreign exchange translation. Including the foreign exchange loss from its share of the Olaroz operations (SDJ PTE) the results of the Group were significantly impacted by an exchange loss of US$20.9M (30 June 2015: US$8.7million gain on exchange).

Borax Argentina like for like sales volumes were up 4% after adjusting for the absence of low value tincal ore in the current year sales but total sales were down 20% on the previous corresponding period.

Review of Operations

The Company's key assets are the Olaroz Lithium Facility, the boron mines and processing facilities of Borax Argentina and a portfolio of brine exploration projects. They are all located in northern Argentina.

The Company's brine assets can be split into two groups. The first group of properties is owned and held by 66.5% (effective) Argentine operating company, Sales de Jujuy S.A ("SDJ") and contain those properties associated with the Olaroz Lithium Facility. Orocobre's partners in SDJ are Toyota Tsusho Corporation ("TTC") (25%) and "JEMSE" (8.5%).

The second group of brine assets is owned by South American Salar S.A (85% effective owned by the Company), which has properties in a number of salt lakes in Salta and Jujuy provinces, including the Salar de Cauchari lithiumpotash project and Salar de Salinas Grandes potash-lithium project.

The Company's boron mineral assets are held through its 100% owned subsidiary, Borax Argentina S.A.

Olaroz Lithium Facility (66.5%)

A year of achievement...

- The newest, low cost lithium carbonate producer

- High growth, high margin business

- Demand growth @ 10% CAGR

- Sustained high market prices

- Large long life resource

- Expansion studies underway

- Plant optimisation expected to decrease operating cash costs from approximately US$3500/t to < US$2500/t

The Olaroz Lithium Facility is located in Jujuy Province in northern Argentina, approximately 230 kilometres northwest of the capital city of Jujuy. The operations are at an altitude of 3,900 metres above sea level and produce lithium carbonate from the Salar de Olaroz brine resource.

The 17,500 tonne design capacity plant has been operating since early 2015 and produces a range of highly sought after lithium carbonate products that are sold into global markets. Demand for our products continues to increase as the worlds' consumers require high quality lithium batteries in applications that vary from the mobile phone to state of the art high performance electric vehicles and grid power storage applications at residential and commercial scale.

The first sale of lithium carbonate from the Olaroz Lithium Facility occurred in late April 2015 and volumes have been increasing since that time. The production profile has shown consistent quarter on quarter improvement.

Now production from the plant is nearing nameplate capacity the focus will turn to operational optimisation. This will see a renewed focus on reagent usage, operational process and recovery to achieve improvements in the cost of production.

Small scale capital projects will be considered on the basis of cost versus return and to improve redundancy in operating systems.

Highly competitive industry position

The Olaroz Lithium Facility is currently producing lithium carbonate at an operating cash cost of US$3,555/t which places the operations in the second lowest cost quartile relative to other producers.

Further process optimisation improvements on recovery, reagent usage and logistics is targeted to see the operating cash cost reduce to <US$2,500/t.

Expansion plans

Scoping Studies into the expansion of production at Olaroz from 17,500 tonnes per annum to 35,000 - 42,500 tonnes per annum are nearly complete. Options being considered range from duplication of existing production facilities to a degree of scale up with possible lithium hydroxide production. Any expansion of this site will be significantly lower risk than a greenfield development due to the recent experience in the construction, commissioning and debottlenecking of the existing operations and the presence of existing infrastructure. Financing of the expansion is expected to be achieved through operating cash flow from the current operation and project debt, most likely from existing financiers.

MOU for Development of Lithium Hydroxide Plant

In November 2015 the Company signed a Memorandum of Understanding (MOU) with Bateman Advanced Technologies (BAT) a subsidiary of Tenova S.p.A. a worldwide supplier of advanced technologies, products and engineering services to review their proprietary technology for the production of lithium salts including lithium hydroxide directly from brines.

During the year, BAT has been operating its Mini Pilot Plant, located at their premises in Israel, with the objective of better refining the design parameters of a pilot plant to potentially be located at an Orocobre site. Tenova-Bateman finished the continuous run of the lithium solvent extraction test, which has been evaluated. During April 2016 the scrubbing and stripping test was undertaken. In parallel, membrane test work was undertaken in order to optimize operation parameters. The electrolysis of the lithium sulphate solution obtained from the LiSXTM process was then completed.

A report including test work results and order of magnitude OPEX and CAPEX was delivered in July and we are assessing the results and currently in discussions with BAT in relation to the test results and the next steps.

Product Specifications

Olaroz sells to multiple customers in multiple markets with three grades of product from the Olaroz Lithium Facility, a battery market product, a technical market product and industrial grade. The lower grade "in process" material which was previously recovered from the tanks post absorption in relatively minor volumes and sold to downstream chemical manufacturing customers is no longer being produced as of June, following the final improvements to CO2 injection and diffusor design.

The main markets for technical grade product are the ceramic and glass markets, with battery grade typically sold to cathode manufacturers and industrial grade typically sold to ceramic, chemical manufacturing customers for the manufacture of lithium hydroxide and other chemicals.

Brine Inventory

The end of the year brine inventory level was 38,200 tonnes of lithium carbonate equivalent (LCE). This is an increase from the 30,000 tonnes of LCE reported last year.

Market Conditions

Prices up more than 60% over the year

The lithium market has experienced a very buoyant year. Tightness of supply has seen prices increase from below US$6,000/tonne on a delivered basis at the beginning of the financial year to more than double this figure for newly agreed contracts in the September 2016 quarter. The weighted average price expectation for the September quarter on an FOB Chile basis is >US$10,000/tonne (net of commissions and logistics costs) as previously advised, dependent upon the mix of orders dispatched. There are a number of back orders to be filled at lower than current quarter price levels and these will not be fully dispatched until the December quarter. These back orders are the result of a slower than anticipated ramp up versus the view held when the supply contracts were agreed. As a show of good faith, it was necessary to honour the originally agreed price with customers when the delivery dates were revised.

Price revision has been largely on a quarterly basis and subject to the production performance of the Olaroz Lithium Facility. Longer term arrangements with customers will be discussed in the near future with the expectation being for some longer term commitments in respect to volume with price reviews on a quarterly or half yearly basis.

Supply/Demand

Supply shortages of spodumene concentrate to conversion plants and high demand from EV manufacturers in China precipitated the rapid increase in market price during the second half of the financial year. The Chinese government has identified some aggressive targets for the number of EV units (both cars and buses) to be produced by 2020. This is expected to continue to drive demand into 2017 and beyond with the new and expanded battery factories announced by Tesla, Foxconn, Samsung, LG, BYD and others supporting the anticipated buoyant future growth profile of the battery market. The increased participation of mainstream brands in the EV sector, the growing focus on grid power storage at a commercial and residential scale and the continued growth in the demand for mobile devices, particularly in emerging markets, continues to contribute to a very positive outlook for the lithium ion battery sector.

Average industry utilisation levels of conversion plants in China have remained below 60% of nameplate capacity for varied reasons including feedstock quality/recovery rates, conversion plant age and operational efficiency.

Capacity additions to downstream processing have responded to these factors resulting in modest expansion. However, this new conversion capacity is unlikely to match the pace of forecast increases in spodumene concentrate supply from Australian hard rock projects.

There is a lead time involved in the supply side response regardless of whether it is a brine operation or a hard rock operation being considered as there is a requirement for the mines and/or plants to be permitted, financed, constructed commissioned, debottlenecked and optimised.

Lithium ion battery costs continue to reduce driven largely by improvements in manufacturing processes. Given the unique electrochemical properties of lithium and its relatively low contribution to total battery cost (<3%) the future of lithium ion batteries as a long term viable battery technology appears to be very favourable.

Production Enhancements:

The operations achieved operating cash cost breakeven in January 2016 and have continued to deliver improved operating and financial performance since that time. Key to delivering these improvements has been a welldocumented production enhancement program involving the improvement of heating and cooling systems with the installation of additional boiler capacity and heat exchangers and the use of incoming brine as a cooling fluid.

Centrifuges were installed in place of polishing filters in order to improve liquid/solid separation and reduce crystal loads in the plant. Settling ponds and flocculants were introduced to reduce crystal loading of the concentrated brine pond prior to feed into the lithium carbonate plant and allow a clarified brine to be fed to the heat exchanger plates reducing the incidence of crystal formation. Changes to the CO2 injection points and modifications to diffusor design has resulted in the elimination of "in process" material (i.e. lithium solids precipitating post absorption stage). The purification circuit currently has a capacity of 40tpd, with the limiting factor being the throughput rate of the thickener. The addition of a cyclone bank prior to the thickener will allow the design throughput rate to be achieved.

This is expected to be completed by November. The cost of these rectifications above was approximately US$10m. The projects outlined above have resulted in the Primary circuit of the plant operating in a very stable manner at rates above design capacity. When complete, the cyclone bank project will deliver additional capacity and flexibility to the Purification circuit.

Joint Venture Structure

The Olaroz Lithium Facility Joint Venture is managed through the operating company, SDJ. The shareholders are Sales de Jujuy Pte Ltd ("SDJ PTE"), a Singaporean company that is the joint venture vehicle for Orocobre and TTC and JEMSE, the mining investment company owned by the provincial government of Jujuy, Argentina. The effective equity interest in the Olaroz Lithium Facility Joint Venture is Orocobre 66.5%, TTC 25.0% and JEMSE 8.5%.

To view the full results announcement including tables and figures, please visit:
http://abnnewswire.net/lnk/AK7SMZ99

**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.

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