Orocery Limited (ASX: ORE, TSX: ORL) (“Orocery” or “the Company”) is pleased to advise that Orochre, Toyota Tsusho Corporation (TTC) and JV boards have given approval to the Final Investment Decision (FID) for the Stage 2 Expansion of the Olaroz Lithium Facility.

The Stage 2 Expansion will increase lithium carbonate production capacity by approximately 25,000 tonnes per annum (tpa) bringing total Olaroz production capacity to approximately 42,500 tpa. Stage 2 will produce technical grade (>99.0% Li2CO3) lithium carbonate, part of which will be utilised as feedstock for the proposed Naraha Lithium Hydroxide Plant to be built in Japan.

During the development of Stage 2, the Stage 1 plant will progressively migrate to 100% battery grade lithium carbonate production.

Upon achievement of full production rates, the product distribution post Stage 2 is expected to be:

1. 17,500 tpa of battery grade lithium carbonate
2. 9,500 tpa of technical grade lithium carbonate as feedstock for 10,000 tpa battery grade LiOH production at Naraha Lithium Hydroxide Plant
3. 15,500 tpa of technical grade lithium carbonate

(see Proposed production profile diagram at the end of this release)

Construction of key items for the Stage 2 Expansion such as ponds, roads and camp upgrades has already commenced and to date has been funded from operating cashflow. The revised total capital expenditure for Stage 2 is expected to be US$295 million including US$25 million contingency. This estimate excludes the crystalliser/evaporator project which would operate for both Stage 1 and Stage 2 on which feasibility studies are currently being undertaken. The expected cost of this project is approximately US$15m and will be subject to normal joint venture capital approval processes in due course.

Financing

The Stage 2 Expansion will be funded by a combination of project debt, operating cashflows and shareholders loans. US$180 million of project finance is anticipated to be provided by a Japanese Bank on similar terms to the Stage 1 project finance facility. The Stage 2 project finance facility is expected to be secured in a similar manner to that of Stage 1 utilising a joint liability scheme provided by JOGMEC (Japan Oil, Gas and Metals National Corporation). The Stage 2 facility will have a term of seven years. Documentation is expected to be finalised to have the draw down available in Q1 2019.

At 30 September, Orocery had US$308 million of cash available for funding equity contributions to Olaroz Stage 2 Expansion, the Naraha Lithium Hydroxide Plant and other growth projects.
Joint Marketing

In accordance with arrangements made in January, TTC and Orocobre have entered into a joint marketing arrangement whereby the partners will work jointly on setting the strategic direction of the customer arrangements and agree the commercial terms. TTC will remain sole and exclusive Sales Agent.

Management Fees

Orocobre will be paid a fee of 1.5% of the sales revenue for managing the Olaroz operations.

Consolidation of Joint Venture Accounts

TTC and Orocobre have also agreed to changes in joint venture agreements that reflect Orocobre’s majority joint venture interest and will allow Orocobre to consolidate earnings from the Sales de Jujuy Joint Venture (Olaroz) in its corporate financial accounts. Consolidation is expected to be implemented for FY19 full year results.

Naraha Lithium Hydroxide Plant

Negotiations on the EPC contract for the proposed Naraha Lithium Hydroxide Plant are advancing rapidly between TTC as operator and Veolia the preferred EPC contractor. As previously advised the EPC contract is expected to be finalised during this quarter.

Orocobre Managing Director Richard Seville and incoming CEO Martin Perez de Solay commented, “This commitment to Stage 2 at Olaroz will cement Orocobre’s position as a global lithium producer operating at the bottom quartile of the lithium cost curve. The very strong relationship with TTC continues to be mutually beneficial and will support the ongoing development and further expansion of the world class Olaroz lithium asset.”

Masaharu Katayama, TTC General Manager of the Resource Development Department and Orocobre Director commented, “TTC is delighted to proceed with the further development of Olaroz. We expect the economic return on this incremental investment to be very attractive and it will be further enhanced with the proposed construction of a lithium hydroxide plant at Naraha in Japan that will utilise feedstock from Stage 2 at Olaroz. TTC is committed to quickly finalising an EPC contract with Veolia and commencing construction at Naraha.”

Commissioning of Stage 2 at Olaroz and the Naraha Lithium Hydroxide Plant are expected to occur during 2H CY2020.
Proposed production profile:

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About Orocobre Limited  
Orocobre Limited (Orocobre) is a dynamic global lithium carbonate supplier and an established producer of boron. Orocobre is dual listed on the Australia and Toronto Stock Exchanges (ASX: ORE), (TSE: ORL). Orocobre’s operations include its Olaroz Lithium Facility in Northern Argentina, Borax Argentina, an established Argentine boron minerals and refined chemicals producer and a 33.5% interest in Advantage Lithium.

For further information, please visit www.orocobre.com