

22 January 2016

ASX/TSX ANNOUNCEMENT
Quarterly Report of Operations
For The Period Ended 31 December 2015

Highlights

Olaroz Lithium Facility

- **Production ramp up continues with production of 1,108 tonnes of lithium carbonate during the quarter. This is an increase of 616 tonnes over the previous quarter. All reported lithium carbonate tonnes produced are saleable tonnes.**
- **Production rate of 20 tonnes per day achieved towards the end of December.**
- **January production on track to meet forecast of 600-650 tonnes forecast for the month.**
- **All “de-bottlenecking” projects expected to be completed by the end of January 2016 permitting the plant to enter the final stage of ramp up.**
- **Lithium carbonate prices are now increasing to over US\$6,000/tonne with further increases expected into CY2016 and beyond as lithium market conditions continue to tighten.**
- **First battery market customers to be supplied with commercial quantities in Q1 with deliveries scheduled to commence in February.**
- **MOU signed with Bateman Advanced Technologies (BAT) to evaluate the BAT LiSX™ process.**
- **Competitiveness improved by devaluation of the AR\$ and removal of export duties on lithium carbonate.**

Borax Argentina

- **Sales volume in the quarter was 10,078 tonnes which is an increase of 1,954 tonnes on the previous quarter and an increase of 1,333 tonnes on the same quarter last year (8,745 tonnes) on a comparable basis excluding sales of low value tincal ore.**
- **Focus remains on the product and market diversification strategy and production optimisation projects.**
- **Competitiveness improved by devaluation of the AR\$ and removal of export duties on refined borax products.**

Corporate

- **Argentine Government policy changes that directly benefit the Company include removal of the “dollar clamp”, floating of the Argentine peso, elimination of export duties and removal of controls on importation of goods.**
- **The Annual General Meeting was held on 6 November with all resolutions passed.**

Olaroz Lithium Facility [For more information on Olaroz please click here](#)

The Olaroz Lithium Facility is Orocobre’s flagship project located in the Jujuy province of Argentina. Together with partners, Toyota Tsusho Corporation (TTC) and Jujuy Energia y Minería Sociedad del Estado (JEMSE), Orocobre is now operating the first large scale lithium brine plant commissioned in approximately 20 years.

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 December quarter 1,108 tonnes of lithium carbonate product was produced (427 tonnes in December, 365 tonnes in November and 316 tonnes in October). This is an increase of 616 tonnes on the previous quarter. Production rates of 20 tonnes per day (tpd) were being achieved toward the end of December. Production in January is currently on track to meet forecast of 600-650 tonnes.

The advances in the debottlenecking process are as follows:

- ***Flocculation and Heat Exchangers***

The flocculation operation to settle the suspended magnesium, sodium boron and calcium salts in the concentrated brine feed pond was commissioned in December and is expected to facilitate the feed of clarified brine to the lithium carbonate plant thus reducing the rate of build-up of salts on the heat

exchanger plates. The additional heat exchangers to be installed in parallel to the existing heat exchangers will be installed at the end of January and will achieve process duplication and redundancy thus allowing a heat exchanger (which cools the feed slurry to the purification circuit) to be taken offline for cleaning without interruption of the cooling of the feed slurry.

- ***Magnesium and Calcium removal by Centrifuges***

The second centrifuge was installed and commissioned in December. This second centrifuge is expected to allow the nameplate flow rate to be achieved through the primary circuit.

- ***Boiler Increase and Heat Distribution***

The additional boiler was installed and commissioned in December. Final piping and circuit commissioning will occur in January as planned. The increase in boiler capacity is anticipated to permit the crystallizers to operate at design temperatures and full production capacity.

Production Guidance and Brine Inventory

With the “de-bottlenecking” projects expected to be completed during January, it is expected that the plant will achieve the operating cost breakeven run rate and enter the final stage of production ramp up. As previously advised, the timing of achievement of the nameplate production run rate is dependent upon the successful optimisation of operating practice and process controls once the debottlenecking rectifications are complete. There are no material changes to the capital cost estimates previously announced. Production for the month of January is forecast at 600-650 tonnes with operating cost breakeven to be achieved.

At the end of the quarter, brine inventory was approximately 41,155 tonnes of lithium carbonate equivalent (LCE).

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 and some customers are still completing the final evaluation process. There are currently customer orders in hand from five (5) battery market customers that have completed the product approval process and placed commercial purchase orders. These orders are scheduled for dispatch in February and March.

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.

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 (based on current negotiations) as we move further 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. Current market conditions in China are very tight with spot pricing from independent third party sources being quoted in excess of US\$15,000/tonne. Although contract prices are very different to spot market rates, the behaviour of the spot price in China in recent times highlights the tight market conditions.

MOU for Development of Lithium Hydroxide Plant

In November 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.

BAT has developed world leading proprietary technology for the production of lithium salts including lithium hydroxide directly from brines.

The BAT process named LiSX™ is expected to facilitate the production of lithium hydroxide for a cost that is targeted to be in the bottom quartile of current lithium hydroxide producers.

The MOU sets out the basis on which the parties have agreed to jointly work together in a staged process towards the development and ultimate commissioning of a large scale lithium hydroxide plant capable of producing between 15,000 tpa to 25,000 tpa of lithium hydroxide monohydrate directly from brine (concentrated or otherwise) utilising proprietary technology developed or enhanced by BAT.

Under the terms of the MOU the parties will work together through the following stages:

- **Stage 1: Mini Pilot Plant (commencement by October 31, 2015).** During this first stage the parties will jointly work together to construct a small scale pilot plant to be located at the premises of BAT in Israel with the objective of better refining the design parameters of a pilot plant to be located at an Orocobre site.
- **Stage 2: Pilot Plant (commencement by March 31, 2016).** If results from the mini pilot plant are favourable the parties will jointly work together to construct a pilot plant. At this stage Orocobre has not determined the location for the pilot plant. The pilot plant will be capable of producing up to 2 tonnes per month of lithium hydroxide monohydrate.
- **Stage 3: Feasibility Study (commencement by December 31, 2016).** If the results of Stage 2 are favourable, Orocobre will decide if the parties proceed to Stage 3 to produce a definitive feasibility study (DFS) for the construction of the commercial plant.
- **Stage 4: Commercial development of an industrial plant capable of producing between 15,000tpa and 25,000tpa of lithium hydroxide monohydrate (execution by June 30 2017).**

BAT will provide intellectual property, design services, licenses and specialist equipment and potential construction services on a lump sum basis.

At the end of each stage Orocobre will make an assessment as to whether or not to proceed to the next stage. For further details please refer to the Company's announcement "MOU for development of Lithium Hydroxide Plant", 13 November, 2015.

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 economic recession in Brazil, historically its largest market, and soft market conditions in Argentina, its second largest market. As previously advised, the downturn has resulted in downward pressure on market prices for all borate products and this has been coupled with increased competition from other producers. Although these conditions fundamentally remain in Brazil there have been some positive results from efforts to diversify the product and market offering in Brazil with sales of recently developed products to new customers.

Operations

Approximately 10,078 tonnes of combined products were sold during the quarter. This is a significant increase of 1,954 tonnes on the previous quarter and an increase of 1,333 tonnes on the the same quarter last year (8,745 tonnes) on a comparable basis excluding sales of low value tincal ore. The improvement in sales will be reflected in improved cash flows in the current quarter.

There were no tonnes of tincal sold this quarter.

Combined Product Sales Volume by Quarter*

| <u>2013/2014 Quarters</u> | | <u>2014/2015 Quarters</u> | |
|----------------------------------|--------------|----------------------------------|---------------|
| <i>March 2014</i> | <i>9,027</i> | <i>March 2015</i> | <i>8,981</i> |
| <i>June 2014</i> | <i>9,558</i> | <i>June 2015</i> | <i>8,061</i> |
| <i>September 2014</i> | <i>8,304</i> | <i>September 2015</i> | <i>8,124</i> |
| <i>December 2014</i> | <i>8,745</i> | <i>December 2015</i> | <i>10,078</i> |

*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.

Production and Commercial

Borax Argentina has two primary areas of focus, production optimisation and sales and market development.

The production optimisation projects are a) to 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 capacity of 9,000tpa. In conjunction with these projects there is also a production efficiency review to be implemented in Q1 2016.

The sales and market development is focused on product and market diversification and reinforcing positions with “home market” customers based on sound value propositions including leveraging Borax Argentina’s geographic position and the benefits of shorter lead times to assist customers in managing supply risk.

The recent Argentine Government policy changes resulting in the removal of export taxes and the devaluation of the currency will have a positive impact on the Borax Argentina business. Through the devaluation in the AR\$ operating unit costs in US\$ terms have been reduced and the removal of the 5% export duty on refined products enhances revenue. Combined, these impacts will improve competitiveness.

Argentine Government Policy Changes

President Macri’s administration has moved quickly to implement sweeping changes to lift economic restrictions and controls.

Key changes made that directly benefit the Company’s operation in Argentina include:-

- removing the “dollar clamp” to allow the free flow of capital in and out of the country
- effectively allowing the floating of the Argentine peso and ending the artificially high official exchange rate
- eliminating export taxes on almost all agricultural and industrial products, specifically removing the 5% export duty on lithium carbonate and refined boron products
- removal of most controls on the importation of goods into Argentina

The impact of these policy changes on Orocobre are material with a reduction of operating costs (in US\$ terms) and an enhancement of revenue. In addition the Company can access goods and services accordingly in a normal way. For further details please refer to the Company’s announcement “Changes in Argentine Government Policy”, 23 December 2015.

Corporate and Administration

Cash/Credit

Unrestricted cash on hand (i.e. cash not committed to a Standby Letter of Credit (SBLC)) at the end of the quarter was A\$2.1m from a corporate perspective and A\$1.9m from a group perspective (taking into account a Borax Argentina net overdraft of A\$0.2m). SDJ SA had available facilities of US\$7.4m based on a security exchange rate of AR\$11.6/US\$1. At the time the market value was AR\$12.9:US\$1.

Finance

The effect of the Argentine government's policy changes as detailed below resulted in positive impact on various areas of the business. The devaluation of the peso allows the working capital facility guaranteed by US\$ SBLCs to be significantly increased. At the end of the quarter the security value of the SBLC was at a rate of 11.6 but had risen to ~13.5 as of the date of this release. In addition, with the devaluation, the US\$ value of AR\$ costs of has significantly decreased resulting in operating cost reductions. The elimination of export duties of 5% on refined products is also a direct benefit.

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. During the quarter US\$10M of the US\$37.5M SBLCs that the Company holds offshore, were transferred to Argentina and now are held as a local Argentine peso guarantee that covers ARS\$133.8M of SDJ SA's overdraft facilities.

During the quarter US\$15M was funded as shareholder loans by the JV partners. Of this amount in December TTC provided US\$9m funding to SDJ of which US\$6.75m was an advance on behalf of Orocobre. US\$6.75m (plus interest) of this loan is to be repaid by SDJ PTE by 29 February and Orocobre has guaranteed repayment by SDJ PTE.

Arbitration Proceedings – Rio Tinto Minerals (RTM)

An arbitration hearing of the claims by Borax Argentina against RTM was concluded in December 2015. The Arbitrator has reserved his decision and the date when the decision is to be handed down is not known at this stage. Borax Argentina is seeking damages, together with interest and legal costs from RTM in respect of the alleged failure by RTM to fully disclose a number of liabilities or potential liabilities of Borax Argentina at the time of the sale. During the quarter the Company paid the balance of purchase moneys of US\$1,629,013 for the shares in Borax Argentina to RTM pursuant to orders made in the course of arbitration.

About Orocobre Limited

Orocobre Limited 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 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.

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Technical Information, Competent Persons' and Qualified Persons Statements

The Company is not in possession of any new information or data relating to historical estimates that materially impacts on the reliability of the estimates or the Company's ability to verify the historical estimates as mineral resources, in accordance with the JORC Code. The supporting information provided in the initial market announcement on 21/08/12 continues to apply and has not materially changed.

Additional information relating to the Company's projects is available on the Company's website in "Technical Report – Salar de Olaroz Lithium-Potash Project, Argentina" dated May 30, 2011, (the Olaroz Report), the "Technical Report – Salinas Grandes Project" dated April 30, 2010 and the "Technical Report – Salar de Cauchari Project, Argentina" dated April 30, 2010, respectively, which have each been prepared by John Houston, Consulting Hydrogeologist, together with, in the case of the Olaroz Report, Mike Gunn, Consulting Processing Engineer, in accordance with NI 43-101.

Caution Regarding Forward-Looking Information

This news release contains "forward-looking information" within the meaning of applicable securities legislation. Forward-looking information contained in this release may include, but is not limited to, the completion of commissioning, the commencement of commercial production and ramp up of the Olaroz Lithium Facility and the timing thereof, the expected brine cost and grade at the Olaroz Lithium Facility, the estimation and conversion of exploration targets to resources at the Olaroz Lithium Facility, the viability, recoverability and processing of such resources, the potential for an expansion at the Olaroz Lithium Facility, the capital cost of an expansion at the Olaroz Lithium Facility; the future performance of the relocated borax plant and boric acid plant, including without limitation the plants estimated production rates, financial data, the estimates of mineral resources or mineralisation grade at Borax Argentina mines, the economic viability of such mineral resources or mineralisation, mine life and operating costs at Borax Argentina mines, the projected production rates associated with the borax plant and boric acid plant, the market price of borate products whether stated or implied, demand for borate products and other information and trends relating to the borate market, taxes including recoveries of IVA, royalty and duty rate and the ongoing working relationship between Orocobre and the province of Jujuy.

Such forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from those expressed or implied by such forward-looking information, including but not limited to the risk of further changes in government regulations, policies or legislation; the possibility that required concessions may not be obtained, or may be obtained only on terms and conditions that are materially worse than anticipated; that further funding may be required, but unavailable, for the ongoing development of the Company's projects; fluctuations or decreases in commodity prices and market demand for product; uncertainty in the estimation, economic viability, recoverability and processing of mineral resources; risks associated with weather patterns and impact on production rate; risks associated with commissioning and ramp up of the Olaroz Lithium Facility to full capacity; unexpected capital or operating cost increases; uncertainty of meeting anticipated program milestones at the Olaroz Lithium Facility; general risks associated with the further development of the Olaroz Lithium Facility; general risks associated with the operation of the borax plant or boric acid plant; a decrease in the price for borates resulting from, among other things, decreased demand or an increased supply of borates or substitutes, as well as those factors disclosed in the Company's Annual Report for the year ended June 30, 2015 filed at www.sedar.com.

The Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable. Assumptions have been made regarding, among other things: the timely receipt of required approvals and completion of agreements on reasonable terms and conditions; the ability of the Company to obtain financing as and when required and on reasonable terms and conditions; the prices of lithium, potash and borates; market demand for products and the ability of the Company to operate in a safe, efficient and effective manner. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.