

MINING WEEKLY

LITHIUM

TSX-bound Orocobre predicts consolidation, attrition in lithium space

By: Liezel Hill

(click on link to view James Calaway video interview: <http://www.miningweekly.com/article/tsx-bound-orocobre-predicts-consolidation-attrition-in-lithium-space-2010-03-10>)

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Updated 7 hours TORONTO (miningweekly.com) – The lithium exploration and development sector will need to consolidate, and will probably also see a considerable attrition of companies with more marginal prospects, Orocobre chairperson James Calaway commented on Tuesday.

Buoyed by the recent hype around lithium, which is used in rechargeable batteries including for hybrid vehicles, there are now around 60 firms that have declared themselves lithium companies, he said.

“There is just no need for so many of these projects,” Calaway said in an interview on the sidelines of the Prospectors and Developers Association of Canada's annual convention.

“I think there is going to be a consolidation, and I think there are going to be a lot of people washed out.”

Although he is predicting consolidation for the sector in general, Calaway says Orocobre has enough on its hands for now, and so will not be actively seeking to participate in any deals.

Earlier on Tuesday, the ASX-listed firm announced that it plans to seek a dual listing in Toronto, and will raise about C\$20-million.

The company has actually been looking at a TSX listing for some time already, Calaway said.

“But we felt, with the growing importance of our company, the growing opportunities that we have with our lithium and potash opportunities in Argentina, that it made sense to raise a significant amount of initial capital, to provide the kind of float and the kind of opportunity to actually go on to the big board here.”

There is also a more defined and growing lithium sector in Canada, with a number of analysts that follow the market and a growing number of companies that are involved in lithium exploration and development that have listings on Canadian exchanges, he said.

“We felt it would be good for our company to be a part of that.”

Orocobre's most developed asset is the Salar de Olaroz project, for which a definitive feasibility study is due for completion by the third quarter of 2009.

If all goes to plan, construction will begin early next year, with commercial production scheduled for early 2012.

In January, the company announced a joint venture with Toyota's Tsusho company, which will take a 25% interest in the Olaroz project, in exchange for the completion of a feasibility study and project development funding.

SWEET SPOT

As if news of the TSX listing was not enough, Orocobre unveiled just one day earlier what Calaway believes could be a “game-changer” discovery of high-grade lithium brine at its Salinas Grandes project, also in Argentina.

The three key factors that determine the quality of a brine are the lithium content, potassium content – potash is produced as a by-product – and the presence of contaminants like magnesium.

Calaway compared the discovery to SQM’s unusually high-grade Atacama operation in Chile, in terms of lithium and potassium grades, while the magnesium levels actually appear lower than those at Atacama.

“The world view until this announcement was that there is Atacama, and then there is everybody else,” Calaway said.

“Now, for the first time as far as any of us know, there has been discovered in Argentina by Orocobre brines that are essentially economically equivalent in their quality to the best, lowest-cost production in the world.”

The company will move ahead with developing Olaroz, but could see some synergies between the two projects when Salinas Grandes is ready to move ahead.

The fact that Orocobre was one of the earlier companies to start exploring in northern Argentina for lithium brines meant the firm had its pick of properties, Calaway commented.

“And we've had the good fortune of confirming that our area that we selected is the sweet spot within the lithium area in Argentina,” he said.

“It's proving out to be the place that has the sweetest spot of all in terms of the brine quality.”

Edited by: Liezel Hill