27 April 2017

# ASX/TSX ANNOUNCEMENT

## Quarterly Report of Operations for the Period Ended 31 March 2017



# MARCH QUARTER 2017 HIGHLIGHTS

## OLAROZ LITHIUM FACILITY (ORE 66.5%)

- Production of 2,784 tonnes* of lithium carbonate, in line with guidance provided in February 2017
- Sales revenue up 19% on December 2016 quarter (QoQ) to US$32.1 million* on sales of 3,142 tonnes
- Average FOB price received up 13% QoQ to US$10,211/tonne FOB with higher priced contracts reflecting firmer market conditions
- Cash cost of production of US$3,565/tonne, up only 1% QoQ despite lower production volumes
- Gross cash margins up 21% QoQ to US$6,646/tonne reflecting an operating margin of 65% (up from 61% in December 2016 quarter)
- During the quarter, VAT refunds of approximately US$10.1 million were received with total VAT refunds of approximately US$17. 1 million having been received to date
- SDJ made the scheduled project finance repayment of US$13.9 million according to the financing arrangements with Mizuho Bank Ltd and JOGMEC
- Brine volumes were rebalanced through the pond system, increasing area under evaporation by ~20%. In addition, enhancements are being made to physical infrastructure and pond management with additional internal and external resources
- Test work has commenced with two specialized engineering firms to finalise the process engineering for a 10,000 tonne per annum battery grade lithium hydroxide plant in Japan
- Ausenco appointed to undertake engineering design studies for the Olaroz phase 2 expansion
- 2H FY17 production guidance remains 5,500 – 6,000 tonnes and pricing is expected to be approximately US$10,000 per tonne FOB in the June 2017 quarter

  * all figures 100% Olaroz Project basis

## BORAX ARGENTINA

- Sales volume in the March quarter was up 10% on the December quarter to 9,672 tonnes

## CORPORATE

- Orocobre Group had available cash of US$30.6 million at the end of the quarter being the same cash on hand as at 31 December 2016. Orocobre Group cash as of today is approximately US$33.3 million and would on a pro-forma basis be US$37.3 million, following the completion of the LSC transaction as detailed below
- Orocobre successfully divested a number of lithium brine exploration projects to Canada's Advantage Lithium Corp. (TSXV:AAL) (Advantage Lithium) for 46.3 million AAL shares (equating to approximately US$25 million), 2.55 million warrants while retaining a direct (50% declining to 25%) interest (plus 1% royalty) in the Cauchari Project
- Orocobre executed an agreement for the sale of exploration tenure at Salinas Grandes to LSC Lithium Limited (TSXV:LSC) for US$4 million which will be paid on close of the transaction and a further US$3 million will be paid in three annual tranches. Orocobre will also receive properties located adjacent to Olaroz and a 2% royalty on future production from Salinas Grandes

# OLAROZ LITHIUM FACILITY

For more information on Olaroz please click here

The Olaroz Lithium Facility is 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 to be 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, SALES AND GUIDANCE

### PRODUCTION AND SALES

Production for the quarter was 2,784 tonnes and in line with revised half-yearly guidance. Production levels were affected by above average rainfall during the summer months.

Sales revenue was US$32.1 million on sales of 3,142 tonnes with some shipments scheduled for December being delivered in the March quarter due to a strike at Antofagasta Port and delays related to customs clearance over Christmas. Cash operating costs of US$3,565/tonne were only up 1% QoQ despite lower production levels.

With stable costs and increased sales prices, gross cash margins increased to US$6,646/tonne in the March quarter up from US$5,477/tonne in the December quarter and overall gross operating margins increased to 65%.

Sales de Jujuy S.A. remains strongly operating cashflow positive.

| Metric | March quarter 2017 | December quarter 2016 | Change QoQ (%) |
|---|---|---|---|
| **Production (tonnes)** | 2,784 | 3,529 | -21% |
| **Sales (tonnes)** | 3,142 | 2,995 | 5% |
| **Average price received (US$/tonne)** | 10,211 | 9,007 | 13% |
| **Cost of production (US$/tonne)[1]** | 3,565 | 3,530 | 1% |
| **Revenue (US$M)** | 32.1 | 27.0 | 19% |
| **Gross cash margin (US$/tonne)** | 6,646 | 5,477 | 21% |
| **Gross cash margin (%)** | 65% | 61% | 7% |

1. Excludes royalties and head office costs

### UPDATE ON POND MANAGEMENT

A problem with pond management was identified in mid-February when errors in the inventory model were detected. Investigations showed that although the total lithium brine inventory was correct the profile through the pond system was incorrect and would result in lower forecasted production than previously expected.

Further investigation showed that the ponds were being operated with some ponds underfilled and some ponds overfilled due to poor control of brine volume transfer between ponds. Combined, this

resulted in a significantly reduced concentration effect for the system and a consequential build-up of inventory in the lower concentration ponds, as well as a lack of inventory in the harvest ponds.

In response, the Company has undertaken a number of steps to rectify the issue and improve pond operating practice and controls. These have included:

- A rapid rebalancing of brine volumes through the ponds which resulted in a ~20% increase to the area subject to solar evaporation and a reduction in brine depths in overfilled ponds. This has resulted in improved pond utilisation and concentration efficiency
- Modifications to brine transfer systems which will see the increased use of pumps to deliver scheduled brine volume transfers between ponds. The first of the new pumps has already been installed and the plan will see an additional five pump stations installed. Improvements in brine transfer systems are expected to cost approximately US$1.5 million



*New pontoon based pump recently installed to provide better brine movement control (19 April, 2017)*

Additionally, a number of improvements have been made, or are planned, to the management processes through augmenting the Operating and Process departments with the creation of new positions of Pond Operations Superintendent and a Senior Pond Process Engineer respectively. The external recruitment of a highly experienced person for the former position is advanced and the latter position has been filled internally. As part of the process described above, a number of external expert consultants have been retained to improve pond operating practices, undertake training and develop monitoring, control and sampling systems.

These changes are expected to deliver major improvements to the operating performance of the pond system.

## GUIDANCE

As previously advised at the half year results, the process of re-establishing the correct inventory profile (volume and concentration) will take approximately six months in total, and as such, is expected to be completed in August this year. The duration of the re-profiling is due to the pond system having significant inertia and the process occurring during the low evaporation time of the year.

The Company continues to expect half year production (2H FY17) to be in the range of 5,500 – 6,000 tonnes. While production is expected to rise significantly in 1H FY18, a formal forecast cannot be provided until a bathymetric survey has been completed to provide a more accurate estimate of brine volumes across primary, intermediate and harvest ponds and a more precise basis for FY18 production modelling.

The bathymetric survey commenced in mid-April and will take approximately 6-8 weeks to complete. A feature of this technology is that it uses sonar to measure the profile of the salt precipitating at the base of the ponds beneath the brine.

**PROJECTS**

Orocobre previously advised that production in the purification circuit was limited by thickener residence time post the purified product crystallisers. The thickener is the final step in the purification circuit prior to product entering the drying circuit. To solve this issue hydrocyclones have been installed to remove solids loading from the thickener and increase the overall capacity of this solids/liquids separation stage.

Initial results indicate that the hydrocyclones are operating as expected and have removed around 50% of the solids that were previously overloading the thickener. The hydrocyclone project was completed on budget for US$1.45 million.

Prior to installation of the hydrocyclones, the purification circuit has achieved a maximum throughput rate of 43 tonnes per day (tpd) and runs consistently at 35-40 tpd (73-83% of nameplate). The hydrocyclones are expected to allow the purification circuit to achieve nameplate capacity of approximately 48 tonnes per day.

The primary circuit consistently runs above nameplate capacity with a maximum achieved throughput of 66 tpd, some 35% above nameplate.



*Hydrocyclones installed at Olaroz Lithium Facility*

## BRINE INVENTORY

At the end of the March quarter 2017, brine inventory was approximately 39,000 tonnes of lithium carbonate equivalent.



*Brine gathering pond at Olaroz Lithium Facility*

## MARKET AND SALES

Lithium carbonate sold in the March quarter totalled 3,142 tonnes, a 5% increase on the December quarter. Lithium carbonate prices increased to US$10,211/tonne (FOB[1]) for the quarter, an increase in excess of $US1,000/tonne to the weighted average price achieved in the December quarter (US$9,004/tonne FOB [1]). The price achieved is a result of higher pricing in short term contracts this quarter compared to last, and an increased price moving into CY2017.

### LITHIUM MARKET

It remains the Company's view that short-term market fundamentals remain strong.

The supply side remains tight with new supply of spodumene concentrate from hard rock producers in Australia being delayed, or in one very recent case, direct shipping ore (DSO) has been supplied. The DSO will require more processing in China in order to produce a suitable spodumene concentrate, and the acceptance of this lower grade form further illustrates the strong demand for lithium and impact of supply delays of high grade concentrate from hard rock operations and lithium carbonate from brine operations.

The Chinese domestic spodumene and lepidolite market was equally tight in recent months as the cold weather hindered production. With alack of raw material from imported and domestic sources, lithium

[1] *Note: Orocobre reports price as "FOB" (Free On Board) which excludes additional insurance and freight charges included in "CIF" (Cost, Insurance and Freight or delivered to destination port) pricing. The key difference between an FOB and CIF agreement is the point at which responsibility and liability transfer from seller to buyer. With an FOB shipment, this typically occurs when the goods pass the ship's rail at the export port. With a CIF agreement, the seller pays costs and assumes liability until the goods reach the port of destination chosen by the buyer. The Company's pricing is also net of TTC commissions.*

*The intention in reporting FOB prices is to provide clarity on the sales revenue that flows back to SDJ, the joint venture company in Argentina.*

carbonate producers in the Qinghai province reportedly shut down and/or decided to prolong maintenance periods (Asian Metals, March 2017).

While Chinese domestic spodumene concentrate is expected to become increasingly available as the weather warms up in China, recent annual production has not exceeded 10,000 tpa lithium carbonate equivalent (LCE). China's minimal domestic supply and the slow ramp up of imported materials, mean any new conversion capacity is unlikely to be well utilized until supply improves.

## MARKET GROWTH

Research, development and the rapid expansion of lithium-powered products supports the views of customers that there will be significant growth in the battery market over the next few years which will be a key demand driver for lithium carbonate and hydroxide.

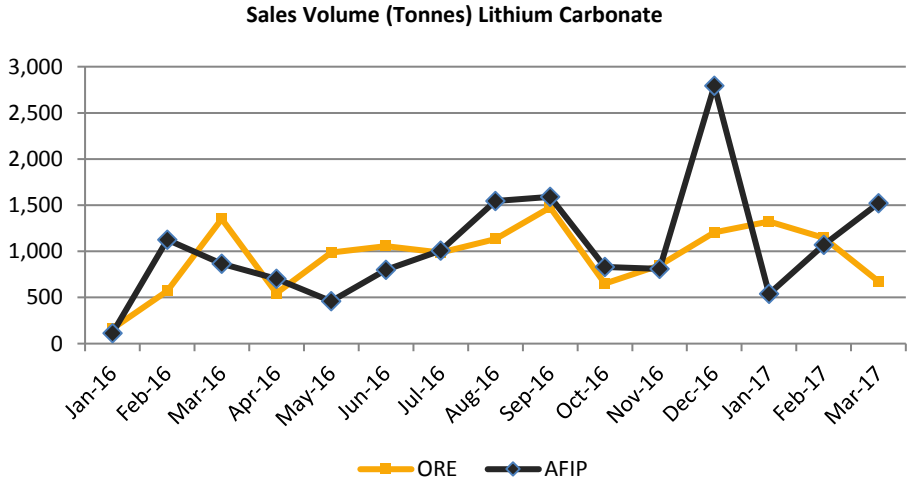
Lithium carbonate from the Olaroz Lithium Facility is sold to a range of markets across a spread of geographies. It is Orocobre's intention to continue to cultivate a diverse customer base, end use and geographic sales base. However, the pace of growth of the battery market is expected to increasingly impact on our customer mix in the future, particularly once the purification circuit approaches design production rates and the planned lithium hydroxide plant is operational in Japan.

## ARGENTINE EXPORT DATA

Orocobre recently undertook an investor road show during which a number of groups indicated they have been following the ''Administracion Federal de Ingresos Publicos'' (AFIP) export statistics from Argentina. The Company recommends a degree of caution be applied to the interpretation of AFIP data.

- Over the longer term the actual exports and the AFIP export data will broadly be in line but "live" monthly and quarterly data is subject to variability
- The variability could be due to corrections to AFIP numbers made post export, such as changes to volume or price data, exports not recorded in the month of export (early or late) and duplicate counting of exports
- By way of example the AFIP data for the month of December 2016 overstated the volume exported. The March quarter demonstrated variations in January and March
- It is common for customs data in any country to be reviewed and corrected on an ongoing basis, hence variability between customs data systems and actuals will occur

The graph below illustrates the actual volume of exports versus the reported AFIP exports for January 2016 to March 2017.




The Company recommends a degree of caution be applied when viewing and interpreting AFIP export data as this data is variable and may not be an accurate reflection of SDJ SA's exports of lithium carbonate from Argentina particularly when analysing shorter data periods in isolation from the historical data set.

# LITHIUM HYDROXIDE PLANT IN JAPAN

### UPDATE ON PROGRESS

During the Scoping Studies for the expansion of the Olaroz Lithium Facility, construction of a lithium hydroxide monohydrate (LiOH*H2O) plant in Argentina was considered. Based on the chemical composition of the "99.0%" lithium carbonate produced from the primary circuit, basic process design and quotations were received for supply of major equipment for a 17,500 tonne per annum LiOH*H2O plant from three specialized engineering firms that have designed and constructed similar plants in several parts of the world. A decision, based on these studies and results, was taken to refine the project scope to building a plant in Japan at a reduced scale of 10,000 tonnes per annum.

A visit to the laboratories and pilot plant installations of the three pre-qualified companies was completed in January, as well as several meetings with their subsidiaries in Japan. Two companies have been shortlisted and are both undertaking test work with Olaroz "99.0%" primary Li2CO3 and lime from Japanese suppliers. This will permit the process engineering design to be finalised. After the test work has been finalized one of the companies will be selected as the Engineering partner. Part of the selection criteria is that the plant would be turn-key including commissioning and personnel training with process, product quality and performance guarantees.

Lithium hydroxide currently sells at a significant premium compared to lithium carbonate. One tonne of lithium carbonate makes approximately 1.1 tonnes of lithium hydroxide monohydrate with an approximate conversion cost of US$2,500/tonne.

### CAPITAL REQUIREMENTS AND TIMING

The capital cost of the lithium hydroxide plant in Japan will be approximately US$30 million prior to any government incentives. It is expected that the funding will involve project debt and potentially offtake financing. The project is also eligible for government incentives of at least 50% of the expected capital expenditure. Orocobre does not anticipate the need to raise equity capital for this project.

Subject to joint venture approvals and finalisation of financing and permitting, construction could commence in November 2017 with commissioning 12 months later.

# EXPANSION STUDY FOR OLAROZ

The Phase 2 expansion investment decision remains dependent on achieving Phase 1 design production rates and the expansion being funded without further equity capital (i.e. funded by project finance and Stage 1 operating cashflow).

### REVISED SCOPE OF PHASE 2 EXPANSION STUDIES

On 15 December 2016, Orocobre announced the results of scoping studies into the expansion of Olaroz and the proposed doubling of production at a cost of US$190 million including US$25 million contingency. Subsequently, these plans have been simplified to remove the purification circuit from the incremental production. The resultant product mix is 17,500 tonne per annum Battery Grade lithium carbonate (>99.5%) from the existing purification circuit, and 17,500 tonne per annum Industrial Grade lithium carbonate (avg. 99.0%), of which ~9,000 tonne per annum will be used to feed the planned 10,000 tonne per annum lithium hydroxide plant in Japan.

This simplified strategy results in lower capital expenditure of approximately US$160 million including a US$25 million contingency and lower implementation risk as the project is based around a simple duplication of the bores, ponds and primary circuit of Phase 1 at Olaroz. It should be noted that the full cost of the pond system contained within the total capital expenditure estimate for Phase 2 is US$75 million.

In late 2016, following site visits, five engineering firms were pre-qualified for the Olaroz lithium carbonate expansion, and following receipt of proposals Ausenco has been selected. The process to obtain the necessary permits and approvals for Phase 2 has commenced and is running concurrently with engineering and design work. The expansion studies are not managed by the SDJ operating team but by consultants and a dedicated study manager.

# BORAX ARGENTINA

The focus in FY17 for Borax Argentina is to increase production rates and reduce unit costs following the optimisation projects at Tincalayu and Campo Quijano, improve efficiencies, build suitable inventory levels, improve response times and delivery performance, and reinforce Borax's value proposition as the producer integral to a customer's security of supply strategy.

## OPERATIONS

Sales volumes in the March quarter 2017 were up 10% on the December quarter to 9,672 tonnes of combined product. There were no tonnes of tincal ore sold this quarter.

## COMBINED PRODUCT SALES VOLUME BY QUARTER*

| Previous Year Quarters | | Recent Quarters | |
|---|---|---|---|
| June 2015 | 9,558 | June 2016 | 9,274 |
| September 2015 | 8,124 | September 2016 | 11,940 |
| December 2015 | 10,078 | December 2016 | 8,767 |
| March 2016 | 8,006 | March 2017 | 9,672 |

*Combined product sales volumes include borax chemicals, boric acid and boron minerals and does not include sale of tincal ore of 2,061 tonnes in June 2015 quarter.

## SAFETY AND ISO CERTIFICATION

**Safety milestone**
The Tincalayu mine site has recently achieved a significant milestone of 450 days of operation without a lost time injury.



**ISO RE-CERTIFICATION**

Audits have been completed for the Maintenance of Certification (ISO 9001 Quality Standard) and Re-certification of the Environmental Standard (ISO 14001). The audits included a review of the eco-efficiency management "ECOSELLO" which provides recognition of sustainable practices.

The audits were across all operational sites: Campo Quijano; Tincalayu, Sijes and Porvenir.

The audits revealed two Minor Conformities in ISO 14001 and three Minor Conformities in ISO 9001. This is a strong result that demonstrates the improvement in management systems at Borax sites and is the first time the two standards have been audited simultaneously.

## TINCALAYU EXPANSION STUDY

A study commenced in Q2 CY16 to evaluate a potential expansion of the Tincalayu refined borates operation from its current production capacity of 30,000 to 100-120,000 tonnes per annum and an integrated 40,000 tonne boric acid plant.

It is anticipated that the potential expansion will further enhance efficiencies in the production of refined borates at Tincalayu and contribute to improved manufacturing unit costs. Approvals have been received for a new gas pipeline to supply the expanded plant and initial cost estimates are under review.

The feasibility study will be completed during the September quarter.




*Anhydrous borax*

## MARKET CONDITIONS

Market conditions remain challenging in the core South American markets of Argentina and Brazil. Borax Argentina continues to grow strong long term relationships with key customers while also continuing to expand the customer base. The continued focus on production efficiencies has cushioned the effect of market pricing remaining at the bottom of the price cycle.

# CORPORATE AND ADMINISTRATION

## ADVANTAGE LITHIUM TRANSACTION

During the March quarter 2017, Orocobre completed the sale of a suite of exploration assets to Advantage Lithium Corp (**TSV:AAL**) after the successful closing of a C$20,000,000 capital raising undertaken by AAL and the satisfaction of all other conditions in the transaction documentation.

Following the completion of the transaction, Orocobre will hold 46,325,000 (35%) of the issued shares of AAL and will also hold 2,550,000 warrants exercisable at C$1. Orocobre did not participate in the capital raising.

Pursuant to the terms of the sale agreements, Orocobre has retained a 50% interest in the Cauchari Project. AAL has the right to increase its interest to a total of 75% by the expenditure of US$5,000,000 or production of a Feasibility Study and will commence a drill program at Cauchari in late April.

Upon the closing of the sale, Richard Seville and Rick Anthon from Orocobre were appointed to the board of AAL.

## SALINAS GRANDES

During the quarter Orocobre executed an agreement for the sale of exploration tenure at Salinas Grandes to LSC Lithium Limited (TSXV:LSC).

Pursuant to the Orocobre-LSC Agreement, LSC will acquire mining properties located at Salinas Grandes in Salta and Jujuy provinces, Argentina ("Salinas Grandes Tenements"), which were held by Orocobre.

As consideration for the sale of the Salinas Grandes Tenements, LSC will:

1. Pay to Orocobre US$7 million, with US$4 million payable at closing and a further US$3 million payable by way of three annual tranches of US$1 million;
2. Transfer to Orocobre three properties located at Olaroz ("Olaroz Tenements") adjacent to current project properties covering approximately 3,821 hectares, thus strengthening Orocobre's position at its flagship project; and
3. Grant to Orocobre a 2% royalty on the brine concentrate produced from Salinas Grandes Tenements, calculated on the same basis as the royalties paid by Sales de Jujuy at the Olaroz Lithium Facility to the Jujuy Provincial Government.

Completion of the transaction is anticipated in May.

## FINANCE

### VAT

VAT refunds of approximately US$10.1 million have been received by SDJ during the quarter with approximately US$17.1 million of VAT refunds received to date.

All VAT claims through and including December 2016 have now been received.

Further claims of approximately US$4M relating to January and February 2017 have been submitted to the Argentine tax authorities. Total remaining VAT refund entitlement amounts to US$12 million on a discounted basis and US$18.4 million on a pre-discounted basis.

### CASH BALANCE, DEBT POSITION AND STANDBY LETTERS OF CREDIT

Orocobre Group had available cash of US$30.6 million at the end of the quarter being the same cash on hand as at 31 December 2016 following guarantee releases of approximately US$3.1 million. During the quarter, approximately US$1.7 million was provided to Borax Argentina to support a build of inventory, capital expenditure and an increase in aged debtors.

Following the end of the quarter, a reduction in the overdraft facilities in Argentina permitted a further release of security deposits. Orocobre Group cash as of today is approximately US$33.3 million and would, following the completion of the LSC transaction as detailed above, increase by US$4 million to approximately US$37.3 million.

SDJ is not scheduled to make a further payment of the Mizuho Bank facility until September 2017 which will be approximately US$14 million. Cash generated from operations and further receipts of VAT refunds will be applied to the reduction of working capital facilities, which will in turn facilitate additional releases of cash to Orocobre through the reduction of SBLCs.

The AR$ remained stable during the quarter and strengthened by 3% from AR$15.89/US$ at 31 December 2016 to AR$15.39/US$ at 31 March 2017.

## FOR FURTHER INFORMATION PLEASE CONTACT:

**Andrew Barber**
Investor Relations Manager
Orocobre Limited
T: +61 7 3871 3985
M:+61 418 783 701
E: abarber@orocobre.com

# 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 chemicals and 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 approximately 20 years at the Salar de Olaroz with planned production of 17,500 tonnes per annum of low-cost 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. This fresh water is produced by reverse osmosis from non-potable brackish water.
- 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.

## 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 cost of construction relative to the estimated capital cost of the Olaroz Lithium Facility, the meeting of banking covenants contained in project finance documentation, the design production rate for lithium carbonate at the Olaroz Lithium Facility, the expected brine cost and grade at the Olaroz Lithium Facility, the expected operating costs at the Olaroz Lithium Facility and the comparison of such expected costs to expected global operating costs, 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 and the outcome of studies currently being undertaken into the proposed expansion at Olaroz and elsewhere, 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, TTC and Mizuho Bank.

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; changes in the scope and focus of studies currently being undertaken with respect to the expansion of the Company’s production facilities, 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; the potential for an expansion at the Tincalayu operations and the outcome of studies currently being undertaken into the proposed expansion at Tincalayu 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, 2016 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.