

ASX / TSX ANNOUNCEMENT

28 February 2017

Orocobre Limited reports first half net profit after tax of US\$7.4M on record sales revenue and production

Orocobre Limited (ORE:ASX ORL:TSX) (**Orocobre**), a leading producer of lithium carbonate, today released its financial results for the half year to 31 December 2016 (1H FY17).

Highlights:

- 1H FY 2017 profit¹ of US\$7.4 million
- Total production of 6,542 tonnes of lithium carbonate, up 309% on the prior comparative period (**pcp**)
- Strong results from the first full financial reporting period in commercial production at the Olaroz Lithium Facility:
 - revenue of US\$60.5M, up US\$56.1M on pcp
 - EBITDAX¹ of US\$35.4M
 - sales of 6,588 tonnes of lithium carbonate at an average price received of US\$9,185/tonne;
 - gross operating margins of 62% with lithium production costs at US\$3,525/tonne², excluding royalties and corporate costs making it one of the lowest cost producers
 - Strong balance sheet with available cash of US\$30.7 million, and net debt/EBITDA (debt payback) ratio of only 2.1x (annualised and proportionally consolidated)
- Market fundamentals for lithium remain intact with strong demand growth, tight supply and attractive prices

Orocobre Managing Director and CEO, Richard Seville said, “Orocobre has consolidated its position as a mainstream, profitable, low cost producer of lithium carbonate. In the first half of the 2017 financial year we have continued to develop and expand our customer base as we produced 6,542 tonnes of lithium carbonate”.

“Strong global market fundamentals for lithium carbonate products persist. Prices have stabilised at high levels over the last few months, however we recognise a similar scenario as occurred two years ago where timing and quantity of new supply of lithium carbonate to the global market was significantly overestimated.

“Our plans to double production at our Olaroz facility to 35,000 tonnes per annum would see Orocobre bring the first meaningful new lithium carbonate production to the global market by early 2019. Along with the 10,000 tonne per annum lithium hydroxide plant to be constructed with our partner Toyota Tsusho Corporation in Japan by the end of 2018, Orocobre is well positioned to deliver higher margins and grow sustainable shareholder value over the medium term.”

Outlook and guidance

Production guidance for FY2017 has been revised to approximately 12,000 to 12,500 tonnes of lithium carbonate production due to pond inventory management requirements.

A recent investigation of production and pond inventory models against performance highlighted issues with the inventory models and flow on effects onto the production models. The investigation also concluded that although overall lithium inventory is appropriate for design production rates inventory distribution in the ponds has skewed away from the high grade harvest ponds and needs to be re-balanced to support design production rates. The process will take up six months and involve a combination of re-allocation of brine through the ponds and time for evaporation.

Richard Seville said: “We are actively managing our operations for long term performance. We have an option to push production in the short term but it is better to bring the ponds into balance and establish the right long term inventory and grade profile.

“We are operating from a strong financial position and we continue to grow our customer base. We have a clear growth strategy with expansion plans for Olaroz and Japan that will not require additional cash from shareholders.

“With a market that remains in supply deficit, we believe we are well positioned to capture a high share of the global demand for lithium carbonate and to deliver higher margins and grow sustainable shareholder value over the medium term.”

Subject to market and operating conditions Orocobre provides the following guidance:

Olaroz Lithium Facility

- ~12,000 to 12,500 tonnes of production for FY17
- ~US\$10,000/tonne average price forecast for March quarter 2017
- Capital expenditure of ~US\$10-12M, excluding amounts related to the prior financial year

Borax Argentina

- Production forecast of 40,000 - 50,000 tonnes
- Capital expenditure of ~US\$2-4 million

Corporate

- Corporate costs of ~US\$5 million

Proforma financials

Orocobre Group reported a maiden statutory profit¹ of US\$7.4 million, which on a proportionally consolidated basis² includes a non-cash foreign exchange loss of US\$0.9 million.

Sales de Jujuy PTE and hence the Olaroz Lithium Facility, recorded positive EBITDAX² of US\$35.4 million for the six months to 31 December 2016. Borax Argentina like for like sales were up 14% and despite the challenging market conditions EBITDAX₂ was near breakeven in the first half of the financial year.

Proportionally consolidated² Profit and Loss

| US\$ million | | | | | |
|---|--------------|----------------|---------------------|-------------------|-----------------------------|
| Half year ended 31 December 2016 | ORE Group | SDJ PTE (100%) | Elim of NCI (33.5%) | Equity accounting | Group Partial Consolidation |
| Revenue and other income | 8.6 | 60.5 | (20.2) | - | 48.9 |
| EBITDAX | (3.4) | 35.4 | (11.9) | - | 20.1 |
| Depreciation | (0.6) | (4.0) | 1.3 | - | (3.3) |
| EBITX | (4.0) | 31.4 | (10.6) | - | 16.8 |
| Finance income (costs) | 1.4 | (7.7) | 2.6 | - | (3.7) |
| EBTX | (2.6) | 23.7 | (8.0) | - | 13.1 |
| Foreign currency losses | (0.1) | (1.2) | 0.4 | - | (0.9) |
| Share of net gains of joint venture | 9.7 | - | - | (9.7) | - |
| Profit before tax | 7.0 | 22.5 | (7.6) | (9.7) | 12.2 |
| Income tax benefit/(expense) | 0.4 | (7.8) | 2.6 | - | (4.8) |
| Profit for the half-year after tax | 7.4 | 14.7 | (5.0) | (9.7) | 7.4 |

Strong cash inflows

The Olaroz Lithium Facility (Sales de Jujuy, SDJ SA) continued to generate strong operating cash flows in 1HFY17 enabling it to fully fund a principal and interest payment on the Mizuho project loan. Future cash flow will see the release of Standby Letters of Credit against overdraft facilities available to SDJ SA and the repayment of shareholder loans valued at US\$101M (as at 31 December 2016). This cash will be utilised by Orocobre to fund its expansion plans and continue to improve its operations.

Expansion Update

Growth strategy in place with:

- Expansion plans underway for Olaroz to double capacity to 35,000 tpa lithium carbonate production by end 2018CY
- A high margin 10,000 tonne per annum lithium hydroxide plant to be built in Japan by late 2018

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Notes:

On 1 May 2016 Orocobre has changed its reporting currency from Australian dollars to US dollars in the 2016 financial year. Unless otherwise stated, all financial data in this release is quoted in US dollars³.

1 Statutory profit (loss) is profit after tax attributable to owners of the Company.

2 Orocobre's results are reported under International Financial Reporting Standards (IFRS). This report also includes certain non-IFRS financial information, including the following:

- 'Underlying profit' is a profit after tax before significant items attributable to owners of the Company such as foreign exchange loss proportionately consolidated of US\$0.9M.
- 'Proportional consolidation' is a method of including items of income, expense, assets and liabilities in proportion to the company's percentage of participation in the joint venture.
- "NCI" is the Non Controlling Interest which represents the portion of equity ownership in the Joint Venture not attributable to Orocobre Limited.
- 'EBITDAX' is 'Earnings before interest, tax, depreciation and amortisation, and foreign exchange gains (losses)'.
- 'EBITX' is 'Earnings before interest, tax, and foreign exchange gains (losses)'.
- 'EBTX' is 'Earnings before tax and foreign exchange gains (losses)'.

3 Financial data has been translated to US dollars using average exchange rates for the relevant period in the income statement.

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.
- 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.

The Company also wholly-owns Borax Argentina, an important regional borate producer.

For further information, please visit www.orocobre.com