

ASX / TSX ANNOUNCEMENT

23 February 2018

Orocobre Limited reports first half net profit after tax of US\$8.2M

Orocobre Limited (ORE:ASX ORL:TSX) (**Orocobre**), a leading global producer of lithium carbonate, today released its financial results for the half year to 31 December 2017 (1H FY18).

Highlights:

- 1H FY18 profit^{1,2} of US\$8.2 million, up from US\$7.4 million on the prior comparative period (pcp)
- Total production of 6,072 tonnes of lithium carbonate
- Strong results from the Olaroz Lithium Facility:
 - revenue of US\$63.1M, on sales of 5,532 tonnes of lithium carbonate
 - EBITDAIX² of US\$37.2M
 - average price received of US\$11,415/tonne, up from US\$9,186/tonne in pcp
 - gross operating margins of 62% with lithium production costs at US\$4,336/tonne, excluding royalties and corporate costs making Olaroz one of the lowest cost producers of lithium chemicals in the world
- Strong corporate balance sheet after recent capital raising with cash balance of approximately US\$335 million with receipt of the second tranche of Toyota Tsusho funding (subject to shareholder approval)
- Fully funded expansion plans with strategic partner, Toyota Tsusho
- Market fundamentals for lithium remain intact with strong demand growth, tight supply and increasing prices

Orocobre Managing Director and CEO, Richard Seville said: “Orocobre continues to consolidate its position as a mainstream, profitable, low cost producer of lithium carbonate.

“Strong global market fundamentals for lithium carbonate products persist. Prices continue to rise and we expect to see an increase of approximately 25% in 2H FY18 prices on those received in the 1H FY18.

“Our plans to expand production at our Olaroz facility have been increased to total production of 42,500 tonnes per annum and we continue work on a 10,000 tonne per annum lithium hydroxide plant to be constructed with our partner Toyota Tsusho Corporation in Japan.

“Both of these projects are now fully funded” he said.

Outlook and guidance and data

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

Olaroz Lithium Facility

- Approximately 14,000 tonnes of production of lithium carbonate for FY18
- 2H FY18 prices up 25% on 1H FY18
- Capital expenditure of US\$12-15 million (for FY18) including CO2 recovery equipment, additional spare parts, process optimisation projects and previously noted pond management and control systems
- Overall pond inventory increased to approximately 45,500 tonnes.

Borax Argentina

- Production forecast of 35,000 - 40,000 tonnes for FY18
- Capital expenditure of ~US\$2-4 million for FY18

Corporate

- Corporate costs of ~US\$6 million for FY18

Proforma financials

The Orocobre Group achieved a net profit after tax of US\$8.2 million¹ (31 December 2016: US\$7.4 million profit), which included its share of net gains/(losses) of the SDJ joint venture of US\$13.1 million (31 December 2016: US\$9.7 million profit) and an impairment at Borax Argentina of US\$1.9 million.

Sales de Jujuy PTE and hence the Olaroz Lithium Facility, recorded positive EBITDAIX² of US\$37.2 million for the six months to 31 December 2017. Borax Argentina recorded EBITDAIX of US\$1.0 million which represents a reduced loss of US\$1.1 million compared to the previous corresponding period, the operations and expansion studies remain under internal review.

Proportionally consolidated² Profit and Loss

Proportionally consolidated P&L	ORE Group Statutory Results	SDJ PTE (100%)	Eliminate NCI of PTE (33.5%)	Add back equity accounting of PTE profit	Consolidated Group incl PTE
Year ended 31 December 2017					
US\$ million					
Revenue and other income	10.2	63.1	(21.1)	-	52.2
EBITDAIX*	(2.9)	37.2	(12.5)	-	21.8
Depreciation & Amortisation	(0.8)	(3.7)	1.3	-	(3.2)
EBITIX**	(3.7)	33.5	(11.2)	-	18.6
Interest	1.0	(6.2)	2.1	-	(3.1)
EBTIX***	(2.7)	27.3	(9.1)	-	15.5
Foreign currency gains/(losses)	0.8	(1.2)	0.4	-	-
Impairment	(1.9)	-	-	-	(1.9)
Share of net gains of joint venture / associates	12.0	-	-	(13.1)	(1.1)
Segment profit/(loss) before tax	8.2	26.1	(8.7)	(13.1)	12.5
Income tax benefit/(expense)	-	(5.4)	1.1	-	(4.3)
Total profit/(loss) for the year after tax	8.2	20.7	(7.6)	(13.1)	8.2

Strong cash inflows

The Olaroz Lithium Facility (Sales de Jujuy, SDJ SA) continued to generate strong operating cash flows in 1H FY18 enabling it to fully fund a principal and interest payment on the Mizuho project loan. The majority of Standby Letters of Credit against overdraft facilities available to SDJ SA have been repaid and operating cashflow will be utilised by Orocobre to fund expansion plans and continue to improve its operations.

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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.
- '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.
- 'EBITDAIX' is 'Earnings before interest, tax, depreciation and amortisation, impairment and foreign exchange gains (losses)'.
- 'EBITIX' is 'Earnings before interest, tax, impairment and foreign exchange gains (losses)'.
- 'EBTIX' is 'Earnings before tax, impairment 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 production capacity of 17,500 tonnes per annum of low-cost lithium carbonate. Plans are underway to expand the Olaroz operations to a total of 42,500 tonnes per annum and to build a 10,000 tonne per annum lithium hydroxide plant in Japan with Toyota Tsusho Corporation.

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 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