

## ASX/TSX ANNOUNCEMENT

16 January 2018

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- **Orocobre delivers a strong December quarterly result – record quarterly production of 3,937 tonnes, up 84% on the September quarter, cash operating margin at 66% and pond issues rectified**
- **Orocobre secures A\$361 million (US\$287 million)<sup>1</sup> funding initiative for upsized 25,000 tonne Phase 2 Olaroz expansion in partnership with Toyota Tsusho**

Orocobre Limited (ASX: ORE, TSX: ORL) (“Orocobre” or “the Company”), a leading lithium chemicals producer, today released its strong December quarter 2017 results, with record quarterly production of 3,937 tonnes of lithium carbonate at a FOB cash cost of US\$3,946/tonne. The Company also announced a significant strategic funding initiative of A\$361 million (US\$287 million) to accelerate an increased Phase 2 expansion at the Olaroz lithium facility in Argentina of 25,000 tonnes per annum (“tpa”).

The Phase 2 Olaroz expansion will add 25,000 tpa of lithium carbonate production capacity (up from the originally planned 17,500 tpa), taking Olaroz's total production capacity to 42,500tpa at full production capacity and positioning Orocobre as one of the world's largest and lowest cost lithium chemicals producers. Commissioning of the expansion is expected in the December half of calendar year 2019 and operating costs for Phase 2 are expected to be lower than Phase 1, further enhancing Orocobre's low cost base. The total capital cost of Olaroz Phase 2 is expected to be approximately A\$340 million (US\$271 million, on a 100% basis) and final Orocobre and Olaroz JV Board approvals are expected by mid-2018. Long lead time activities including drilling of new bores have already commenced.

Orocobre and Toyota Tsusho Corporation (“Toyota Tsusho”) are finalising plans to jointly develop a 10,000 tpa lithium hydroxide plant in Fukushima, Japan with expected operating costs of US\$1,500/tonne (down from US\$2,500/tonne). Development subsidies of approximately US\$27 million have been indicatively approved (but not yet finalised) by the Japanese Government. After subsidies and proposed Japanese bank debt financing (which is proposed to be at subsidised interest rates), Orocobre's equity contribution will be approximately US\$6 million towards the estimated total capital cost of US\$60-70 million. A final investment decision is expected in mid calendar year 2018.

Orocobre's share of Phase 2 expansion capital expenditure will be funded via a A\$361 million (US\$287 million) capital raising (“Capital Raising”) comprised of a A\$282million (US\$224 million) strategic placement (“Strategic Placement”) to Toyota Tsusho priced at an attractive c.17% premium to Orocobre's 30 day volume weighted average price (“VWAP”) and an underwritten c.A\$79 million (US\$63 million) 1 for 20 accelerated renounceable entitlement offer with retail rights trading on the ASX (“Entitlement Offer”).

<sup>1</sup> A\$:US\$ as at close of trade on 15 January 2017 of 0.7963 used throughout

The Capital Raising will give Orocobre an appropriately sized, flexible and strong balance sheet as it proceeds with Phase 2 construction and the Strategic Placement delivers material potential ancillary benefits which would not be available to Orocobre via other funding options. The Entitlement Offer provides Orocobre shareholders with an opportunity to participate in the Company's next phase of growth at a material discount to the Strategic Placement price.

Orocobre Managing Director and CEO Richard Seville said: "The growth and funding initiatives we have announced today enhance Orocobre's strategic positioning at all levels – financial, commercial, customer and partner. We have achieved the optimal funding solution to deliver a larger Phase 2 expansion at Olaroz and strengthen our strategic relationship with Toyota Tsusho and Japanese industry."

"The stronger than expected demand we and Toyota Tsusho are observing in the market and the production stability we have achieved in Phase 1 means we are executing Olaroz Phase 2 at the right time and are uniquely positioned given the strategic importance of lithium to Toyota Tsusho and Japanese industry."

"Toyota Tsusho is approximately 22% owned by Toyota Motor Corporation and approximately 11% by Toyota Industries Corporation and is the sole general trading arm of Toyota Group. Toyota Tsusho is a long-term strategic joint venture partner and the relationship we have developed over a number of years is one that many companies in our sector would covet. We look forward to progressing additional lithium production opportunities in partnership with Toyota Tsusho in the years ahead."

#### **DECEMBER QUARTERLY HIGHLIGHTS**

- Production up 84% to 3,937 tonnes of lithium carbonate
- Sales up 67% to 3,460 tonnes
- Record revenue of US\$40 million, up 72%
- Improved average price received of US\$11,550/tonne
- Cost of sales down 21% to US\$3,946/tonne
- Strengthened cash margins (up 23%) to US\$7,604/tonne
- Phase 1 pond management issues rectified, FY18 guidance of approximately 14,000 tonnes is unchanged

Full production details are provided in the report lodged with the ASX/TSX today.

#### **STRATEGIC PLACEMENT**

Based on strong demand being observed by both Orocobre and Toyota Tsusho, the Olaroz joint venture agreed to pursue an expanded Olaroz Phase 2. After carefully considering a range of financing alternatives, Orocobre determined that the optimal funding option was a strategic placement to Toyota Tsusho which delivers attractive ancillary benefits including (amongst others) potential low cost Japanese bank debt support on similar terms to the Olaroz Phase 1 facility.

Orocobre and Toyota Tsusho propose that the debt package will be supported by the Japan Oil, Gas and Metals National Corporation ("JOGMEC") which will provide further balance sheet flexibility as Phase 1 continues to produce positive free cashflow while Phase 2 is under construction.

#### **Key terms of the Strategic Placement to Toyota Tsusho include:**

- The placement will raise A\$282 million via the issue of c.37.5m shares at a price of A\$7.50 per share – a c.17% premium to Orocobre's 30 day VWAP as at Monday, 15 January 2018 (A\$6.43). The placement will be conducted in two tranches:

- The first tranche of 31.2 million shares ("**Tranche 1 Shares**") is expected to settle on Thursday, 18 January 2018. It will raise A\$234 million and will be completed under the company's existing issuance capacity pursuant to Listing Rule 7.1. Toyota Tsusho will be entitled to participate in the Entitlement Offer in respect of the Tranche 1 Shares and has indicated it will take up all of its entitlements; and
  - The second tranche of 6.3 million shares, subject to rounding under the Entitlement Offer ("**Tranche 2 Shares**"), will occur shortly after shareholder approval is obtained for the placement of the Tranche 2 Shares. It will raise A\$47 million and is subject to shareholder approval at the General Meeting to be held on Monday, 26 February 2018.
- The placement of the Tranche 2 Shares is subject to the approval of Orocobre shareholders, whereas the placement of the Tranche 1 Shares is not. Toyota Tsusho and its associates will not be entitled to vote on the placement of the Tranche 2 Shares
  - Following completion of the Capital Raising, Toyota Tsusho will hold 15% of Orocobre's issued capital on a fully expanded basis. (The term "**fully expanded basis**" means Orocobre's issued share capital after completion of the placement of the Tranche 1 Shares, the issuance of the shares under the Entitlement Offer and the placement of the Tranche 2 Shares)
  - Toyota Tsusho will be entitled to nominate one non-executive director to the Orocobre Board, for so long as it has a relevant interest in at least 10% of the shares of Orocobre
  - Two year standstill agreement which caps Toyota Tsusho's relevant interest in Orocobre shares at 15% on a fully expanded basis, subject to certain exceptions
  - Anti-dilution rights for two years but subject to Toyota Tsusho having a relevant interest in at least 10% of the shares
  - Orocobre and Toyota Tsusho have also agreed that Toyota Tsusho will be appointed as exclusive sales agent for Phase 2 (in addition to Phase 1) with Orocobre and Toyota Tsusho having joint control over strategic marketing, the allocation of volume to customers and commercial terms

The terms of the Strategic Placement are contained in the subscription agreement that has been entered into between Orocobre and Toyota Tsusho. A copy of the subscription agreement will be attached to Toyota Tsusho's Form 603 ("Notice of initial substantial holder") which will be filed with the ASX following completion of placement of the Tranche 1 Shares.

#### **ENTITLEMENT OFFER**

The Entitlement Offer comprises a fully underwritten 1 for 20 accelerated pro rata renounceable entitlement offer that includes the ability to trade retail entitlements on the ASX.

The Entitlement Offer will raise approximately A\$79m and provides existing shareholders with the opportunity to participate in the funding solution for Phase 2 at a discount to the strategic placement price paid by Toyota Tsusho.

The Offer Price of A\$6.55 represents a 8.6% discount to Orocobre's closing price of A\$7.17 on the ASX at Monday 15 January 2018 and a 8.3% discount to TERP of A\$7.14.

Richard Seville said: "The Entitlement Offer gives existing shareholders an opportunity to participate in the company's next phase of growth at a discounted price and the renounceable structure provides alternatives to those shareholders not wishing or able to participate."

The Entitlement Offer will consist of an accelerated institutional entitlement offer ("**Institutional Entitlement Offer**") and a retail entitlement offer that includes the ability for eligible retail shareholders to trade their retail entitlements on the ASX ("**Retail Entitlement Offer**").

Under the Entitlement Offer, eligible shareholders are entitled to subscribe for 1 new Orocobre ordinary share for every 20 existing Orocobre ordinary shares (“**Entitlement**”) held as at 7.00pm (AEDT) on Friday, 19 January 2018.

New Orocobre ordinary shares issued under the Entitlement Offer will rank equally with existing Orocobre shares in all respects.

Further details about the Entitlement Offer including the indicative timetable are set out in Appendix A.

#### **JAPANESE BANK DEBT FUNDING**

Toyota Tsusho will use its best endeavours to procure project financing for Olaroz Phase 2 targeting similar terms to those obtained by the Olaroz JV for Phase 1. Orocobre and Toyota Tsusho have agreed to target total project financing of up to US\$100 million.

Toyota Tsusho will also use its best endeavours to obtain a guarantee from JOGMEC to support the project finance loan. If any additional project financing guarantees are required to be cash-backed, Orocobre and Toyota Tsusho will provide such guarantees on a 75:25 split.

#### **LITHIUM HYDROXIDE PLANT**

Orocobre and Toyota Tsusho have agreed to accelerate plans to build the Lithium Hydroxide Plant in Fukushima, Japan including advancing engineering studies, with final investment decisions to be made in mid calendar year 2018.

At this time, Orocobre and Toyota Tsusho expect to develop a plant with 10,000 tpa of lithium hydroxide production capacity at a total capital expenditure of US\$60-70 million based on detailed quotations from two competing engineering groups. Operating costs are expected to be approximately US\$1,500/tonne, down from the previous estimate of US\$2,500/tonne.

The Japanese Government has indicatively agreed to provide capital expenditure subsidies of approximately US\$27 million. When combined with proposed Japanese bank debt financing (proposed to include subsidised interest rates), the Orocobre equity contribution is expected to be approximately US\$6 million.

The project is expected to enhance margins on the volume of Olaroz lithium carbonate production used as feedstock, diversify Orocobre’s lithium product range and enhance Orocobre and Toyota Tsusho’s relationships with key lithium end users in Japan.

#### **GENERAL MEETING**

The Company will be calling a general meeting of shareholders on Monday, 26 February 2018 to, amongst other things, approve the issue of additional shares to Toyota Tsusho under Tranche 2 of the Strategic Placement. A notice of meeting will be issued to ASX and despatched to shareholders shortly.

#### **ADVISERS**

UBS AG, Australia Branch has acted as Financial Adviser to Orocobre on the Strategic Placement. Jones Day has acted as legal adviser to Orocobre on the Strategic Placement and Entitlement Offer.

Toyota Tsusho has appointed Nomura as financial adviser and Herbert Smith Freehills as Australian legal adviser.

## **APPENDIX A – FURTHER INFORMATION ABOUT THE ENTITLEMENT OFFER**

### **Institutional Entitlement Offer**

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer which will take place from Tuesday, 16 January 2018 to Wednesday, 17 January 2018 (AEDT).

Eligible institutional shareholders can choose to take up all, part or none of their Entitlements (“**Institutional Entitlements**”). Institutional Entitlements cannot be sold on ASX. Institutional Entitlements that eligible institutional shareholders do not take up by the close of the Institutional Entitlement Offer, and Institutional Entitlements that would have been offered to ineligible institutional shareholders had they been entitled to participate, will be offered for sale through the institutional shortfall bookbuild (“**Institutional Shortfall Bookbuild**”) opening on Wednesday, 17 January 2018 and closing on Thursday 18 January 2018. Any proceeds from the sale of Institutional Entitlements under the Institutional Shortfall Bookbuild in excess of the issue price for new shares will be remitted proportionally to those institutional shareholders, less any applicable withholding tax.

Orocobre shares have been placed in trading halt while the Institutional Entitlement Offer and the Institutional Shortfall Bookbuild are undertaken.

### **Retail Entitlement Offer**

Eligible retail shareholders in Australia and New Zealand will be invited to participate in the Retail Entitlement Offer at the same offer price and offer ratio as the Institutional Entitlement Offer. The Retail Offer will open at 9:00am (AEDT) on Tuesday 23 January 2018 and close at 5:00pm (AEDT) on Friday, 2 February 2018.

Eligible retail shareholders will be allotted Entitlements (“**Retail Entitlements**”) which can be traded on the ASX. If they do not wish to take up all or part of their Retail Entitlements, they can seek to sell all or part of their Retail Entitlements on the ASX or by transferring them directly to another person to realise value for those Retail Entitlements ahead of the retail shortfall bookbuild (discussed below). Retail Entitlements can be traded on the ASX from Friday, 19 January 2018 (on a deferred settlement basis) to Thursday, 25 January 2018. Persons in the United States and persons acting for the account or benefit of persons in the United States will not be eligible to purchase or trade Retail Entitlements on the ASX or take up Retail Entitlements purchased on ASX or transferred directly from another person.

Eligible retail shareholders should carefully read the retail entitlement offer information booklet and accompanying personalised entitlement and acceptance form which are expected to be despatched on Tuesday, 23 January 2018 and which will be made available on the ASX website on or before that date.

Retail Entitlements which are not exercised by the close of the Retail Entitlement Offer, and Retail Entitlements that would otherwise have been offered to ineligible retail shareholders had they been entitled to participate, will be sold through the retail shortfall bookbuild opening on Wednesday, 7 February 2018 (“**Retail Shortfall Bookbuild**”). Any proceeds in excess of the issue price for new shares from the sale of Retail Entitlements under the Retail Shortfall Bookbuild will be remitted proportionally to those retail shareholders, less any applicable withholding tax. There is no guarantee that there will be any proceeds remitted to those retail shareholders.

It is the responsibility of purchasers of Retail Entitlements to inform themselves of the eligibility criteria for exercise. If holders of Retail Entitlements after the trading period do not meet the eligibility criteria, they will not be able to exercise the Retail Entitlements. In the event that holders are not able to take up their Retail Entitlements, those Retail Entitlements will be sold into the Retail Shortfall Bookbuild and holders may receive no value for them.

**Indicative timetable and key dates**

<b>Event</b>	<b>Date<sup>1</sup></b>
Trading halt, announcement of Entitlement Offer and Institutional Entitlement Offer opens	Tuesday, 16 January 2018
Institutional Entitlement Offer closes	Wednesday, 17 January 2018
Institutional Shortfall Bookbuild opens	Wednesday, 17 January 2018
Institutional Shortfall Bookbuild closes	Thursday, 18 January 2018
Announcement of completion of Institutional Entitlement Offer and Institutional Shortfall Bookbuild Shares recommence trading on an ex-entitlement basis Retail Entitlements commence trading on a deferred settlement basis Entitlement Offer record date (7:00pm AEDT)	Friday, 19 January 2018
Retail entitlement offer information booklet and notice of meeting despatched to Eligible Retail Shareholders Retail Entitlement Offer opens	Tuesday, 23 January 2018
Retail Entitlements conclude trading	Thursday, 25 January 2018
Settlement of new shares issued under the Institutional Entitlement Offer and institutional shortfall bookbuild	Monday, 29 January 2018
Allotment and commencement of trading of new shares issued under the Institutional Entitlement Offer	Tuesday, 30 January 2018
Retail Entitlement Offer closes (5:00pm AEDT)	Friday, 2 February 2018
Retail Shortfall Bookbuild opens	Wednesday, 7 February 2018
Retail Shortfall Bookbuild closes	Thursday, 8 February 2018
Settlement of new shares issued under the Retail Entitlement Offer	Monday, 12 February 2018
Allotment of new shares issued under the Retail Entitlement Offer	Tuesday, 13 February 2018
Commencement of trading of new shares issued under the Retail Entitlement Offer	Wednesday, 14 February 2018
Holding statements dispatched to retail shareholders	Thursday, 15 February 2018
General Meeting of shareholders	Monday, 26 February 2018
Release of FY18 half year results	Tuesday, 27 February 2018

1. All dates and times are indicative only and subject to change

## **Eligibility of Canadian Investors and TSX Matters**

A holder of shares who is resident in Canada is not entitled to participate in the Retail Entitlement Offer, but certain eligible institutional shareholders who receive an offer (to be determined at the sole discretion of the Company and the underwriter) will be entitled to participate in the Institutional Entitlement Offer, provided that each such investor is an “accredited investor” (as such term is defined in National Instrument 45-106 – Prospectus Exemptions (“NI 45-106”)). Accordingly, the Company will only issue Institutional Entitlements to a holder of shares who is a resident of Canada and where the Company and the underwriter, in their sole discretion, determine that such holder is an eligible institutional shareholder and an “accredited investor” and that the issue of Institutional Entitlements to and subscription for shares by such person is otherwise lawful and in compliance with all securities and other laws applicable to such person.

Neither the Retail Entitlements nor the Institutional Entitlements will be listed for trading on the Toronto Stock Exchange. The Company intends to rely on the exemption available to Eligible Interlisted Issuers under Section 602.1 of the TSX Company Policy in respect of the transactions described in this press release.

## **Further information**

Further details on the December Quarterly results, Strategic Placement and the Entitlement Offer are set out in the Investor Presentation lodged with the ASX today. This includes important information on the Entitlement Offer, including key risks involved in an investment in Orocobre and the selling restrictions in respect of the Institutional Entitlement Offer. Eligible retail shareholders should carefully read the retail entitlement offer information booklet and accompanying personalised entitlement and acceptance form which are expected to be despatched on Tuesday, 23 January 2018 and which will be made available on the ASX website on or before that date.

Retail shareholders who have any questions about the Retail Entitlement Offer should speak with their broker or advisor and/or call the Orocobre Offer Information Line on 1300 117 912 (within Australia) or +61 3 9415 4337 (outside Australia) from 8.30am to 5.00pm (AEDT) Monday to Friday during the Retail Entitlement Offer.

## **About Orocobre Limited**

Orocobre Limited (Orocobre) is a dynamic global lithium carbonate supplier and an established producer of boron. Orocobre is dual listed on the Australia and Toronto Stock Exchanges (ASX: ORE), (TSE: ORL). Orocobre’s operations include its Olaroz Lithium Facility in Northern Argentina, Borax Argentina, an established Argentine boron minerals and refined chemicals producer and a 33% interest in Advantage Lithium.

For further information, please visit [www.orocobre.com](http://www.orocobre.com)

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