



TAX AND FINANCIALS

Strategic Significance

Argentina is now a participating country in the Extractive Industries' Transparency Initiative (EITI). Orocobre is committed to supporting the country's efforts to enhance the transparency of its resource revenues and will continue to disclose its payments to national government, local government and communities on an annual basis as its operations develop.

When the Olaroz Lithium Facility moved from development to production in 2016 and began generating revenue its local stakeholders were keen to understand and access their share of project benefits in the form of royalties, local employment, direct investment or another benefit stream.

Orocobre understood this mounting interest and motivation and is equally committed to ensuring that benefits from the operation are distributed effectively throughout the region. As the Company is unable to control the distribution of royalty and tax benefits within the region, Orocobre has focused on maintaining effective easement agreements with directly impacted communities and annual development agreements with indirectly impacted communities.

Impact Boundary

Orocobre's current operations are focused solely in Argentina. Philosophically, Orocobre is committed not only to full compliance with the tax laws of Argentina but also to ensuring all profits from its Argentina operations are taxed in Argentina.

All tax disclosures in this management approach are based exclusively on the Sales de Jujuy operations and (where relevant) Orocobre Group's broader approach to tax management.

The people of Jujuy have several avenues to share in the economic benefits arising from the Olaroz Lithium Facility. These include provision of services and materials, capital investment, job generation, royalty, easement agreements, and tax payments as well as a direct ownership interest in the project. The Provincial Government holds an 8.5% share in Sales de Jujuy ("SDJ") through their mining and investment entity JEMSE (Jujuy Energía y Minería Sociedad del Estado).

Management Approach

Commitment

Orocobre's [Sustainable Development Policy](#) outlines its commitment to promoting the efficient management and distribution of resource revenues to maximize development outcomes in its zone of operations.

As part of the Company's commitment to advancing the UN Sustainable Development Goals, the organization seeks to support domestic resource mobilization through effective tax and resource revenue collection ([SDG17: Partnership for the goals](#)) and to ensure its local communities have equal rights to economic resources and ownership and control over land and other forms of property ([SDG 1: No Poverty](#)).

Management Systems

Orocobre's tax strategy is based on four core principles:

- Payment of all appropriate taxes in the appropriate location
- Publication of payments in all jurisdictions (including tax, export duties and royalty payments)
- Adherence to the Argentine Mining Investment Law which grants fiscal stability to operations
- Effective distribution of resource revenues

The strategy has not previously been published, however most information relating to the Company's approach to tax is provided within this management disclosure document.

Royalties

The payment of royalties in Argentina is determined by law. As such, Orocobre pays 3% of the "mine mouth" value of the mineral extracted to the Provincial Government of Jujuy, who is then legally required to distribute that amount evenly across all 61 municipalities in the Province.

Export Taxes

In September 2018, the Argentine Government re-introduced a previously abolished export duty. The applicable rate to SDJ was ARS\$3 per US\$1 exported. Based on the average exchange rate for the period ended 30 June 2019 (~ARS\$38/US\$1), the company estimated export duties of approximately 7.8% of its sales revenues.

Transfer Pricing

In determining its taxable income SDJ does not participate in any transfer pricing arrangements with export selling prices being on a "Free On Board" (FOB) basis directly reflecting pricing with end customers. Orocobre and its related parties regularly review their transfer pricing policies to ensure their international related party dealings are conducted on an arm's length basis.

Corporate Tax

SDJ is subject to the Mining Investment Act. The Mining Investment Act complements Corporate Tax Law for eligible entities and extends rights and obligations for companies that adhere to it. Some of the most relevant additions include providing fiscal stability at the point of obtaining development stage approval of the mining project, and allowing accelerated fiscal depreciation on new infrastructure, and plant and equipment investment. Tax losses which arise from accelerated depreciation do not lapse. Due to such benefits, SDJ carries unused tax losses forward and has not paid corporate tax to date.

Regulatory Compliance

Tax payments are made in accordance with legal requirements and varying tax rates in each of the jurisdictions in which the Company operates

- The rate in Argentina where the Company's operational taxes are paid is 30%
- The rate in Singapore where SDJ PTE is based is 17%.
- The rate in Australia where the Orocobre Group is based is 30%

Public tax expenditures by the Company vary depending where specific transactions or activities take place. Due to the geographical structure of the group, only the Argentine operating entities generate significant assessable income.

For further details on the calculations of tax expense refer to Note 4. of the 2019 Financial Year financial report.

Tax Governance, Control and Risk Management

Orocobre actively monitors changes in tax regulations to identify obligations and benefits available at each jurisdiction in which it operates.

When risks are identified, an in-depth analysis is performed by the corporate function in coordination with the relevant business units and tax experts/consultants where necessary. A risk mitigating response/plan is then developed and put into practice.

Tax compliance and risk management plans are discussed with the Orocobre Audit and Risk Management Committee on an annual basis, or when emerging issues arise.

Mechanisms for reporting concerns about unethical or unlawful behavior and the organization's integrity in relation to tax can be reported locally into the region's legal counsel, through the whistleblower program, or raised directly to the Board of Directors.

Tax consultants work with management on calculations and disclosures required per statutory reporting requirements in each jurisdiction on a bi-annual basis as part of the assurance process.

Stakeholder Engagement

SDJ actively engages with local statutory bodies and the National/Provincial mining chambers to discuss any emerging topics related to taxation and cooperate with expert review panels. Quarterly information on tax payments, and vendor payments are provided to the National and Provincial Mining Authorities.

Monitoring and Reporting

The Chief Financial Officer reviews the tax strategy on an annual basis with Board level review and approval.

Responsibility

Within Argentina, responsibility for tax management and reporting rests with the Director of Finance and Administration and Legal Counsel.

Overall responsibility for tax strategy and compliance rests with Orocobre's Chief Financial Officer.

Accountability

The Chief Executive Officer, with the backing of the Orocobre Board, has ultimate accountability for ensuring tax strategy is effectively implemented in compliance with all regulatory requirements and in-keeping with the Company's commitment to Sustainable Development.

FY19 Update

The group had US\$33 million of unused tax losses in Australia and ARS 4.7 billion in Argentina at 30 June 2019. At current lithium carbonate selling prices, corporate tax is projected to be paid from FY22 onwards based on the annual assessment completed at 30 June 2019.

Corporate income tax rate in Argentina is reducing from 30% in 2020 down to 25% from 1 January 2021.

Shareholders from countries with whom Argentina has a Double Taxation Agreement may access a lower withholding tax rate on dividend distributions if the receiver of the dividend has a certificate of fiscal residence.

An Export Tax was introduced in Argentina on September 4, 2018: 3 ARS for each 1 USD of export revenue. This Export Tax is legislated to expire December 2021.

For all Tax and Financial Data, please refer to the [Economic Performance Data](#).