

31 AUGUST 2017

# FULL YEAR RESULTS 2017



# CAUTIONARY NOTES

This presentation has been prepared by the management of Orocobre Limited (the 'Company') and does not constitute as specific advice to any particular party or person. The information is based on publicly available information, internally developed data and other sources. Where any opinion is expressed in this presentation, it is based on the assumptions and limitations mentioned herein and is an expression of present opinion only. No warranties or representations can be made as to the origin, validity, accuracy, completeness, currency or reliability of the information. The Company disclaims and excludes all liability (to the extent permitted by law) for losses, claims, damages, demands, costs and expenses of whatever nature arising in any way out of or in connection with the information, its accuracy, completeness or by reason of reliance by any person on any of it.

This presentation contains "forward-looking information" within the meaning of applicable securities legislation. Forward-looking information is often characterized by words such as "plan", "expect", "budget", "target", "project", "intend", "believe", "anticipate", "estimate" and other similar words or statements that certain events or conditions "may" or "will" occur. Forward-looking information may include, but is not limited to, the successful ramp-up of the Olaroz Project, and the timing thereof, the design production rate for lithium carbonate at the Olaroz Project, the expected brine grade at the Olaroz Project, the Olaroz project's future financial and operating performance including production, rates of return, operating costs, capital costs and cash flows, the comparison of such expected costs to expected global operating costs, the ongoing working relationship between Orocobre and the Provinces of Jujuy and Salta, the on-going working relationship between Orocobre and Olaroz project financiers Mizuho Bank and JOGMEC and the satisfaction of any lending covenants, the future financial and operating performance of the Company, its affiliates and subsidiaries including Borax Argentina, the estimation and realization of mineral resources at the Company's projects, the viability, recoverability and processing of such resources, timing of future exploration at the Company's projects, timing and receipt of approvals, consents and permits under applicable legislation, trends in Argentina relating to the role of government in the economy (and particularly its role and participation in mining projects), adequacy of financial resources, forecasts

relating to the lithium, boron and potash markets, potential operating synergies between the Cauchari project and the Olaroz project, the potential processing of brines from the Cauchari Project and the incremental capital cost of such processing, expansion, growth and optimisation of Borax Argentina's operations, the integration of Borax Argentina's operations with those of Orocobre and any synergies relating thereto and other matters related to the development of the Company's projects and the timing of the foregoing matters.

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; that further funding may be required, but unavailable, for the ongoing development of the Company's projects; fluctuations or decreases in commodity prices; uncertainty in the estimation, economic viability, recoverability and processing of mineral resources; risks associated with development of the Olaroz Project; unexpected capital or operating cost increases; uncertainty of meeting anticipated program milestones at the Olaroz Project or the Company's other projects; general risks associated with the feasibility and development of the Olaroz Project and the Company's other projects; risks associated with investments in publicly listed companies, such as the Company; risks associated with general economic conditions; the risk that the historical estimates for Borax Argentina's properties that were prepared by Rio Tinto, Borax Argentina and/or their consultants (including the size and grade of such resources) are incorrect in any material respect; the inability to efficiently integrate the operations of Borax Argentina with those of Orocobre; as well as those factors disclosed in the Company's Annual Report for the year ended June 30, 2016 filed at [www.sedar.com](http://www.sedar.com).

Forward-looking information is based on a number of assumptions and estimates that, while considered reasonable by the Company, may prove to be incorrect. Assumptions have been made regarding, among other things: the Company's ability to carry on its exploration and development activities at its projects and to continue production at Borax Argentina's properties, the timely receipt of required approvals, the prices of

lithium, potash and boron, the ability of the Company to operate in a safe, efficient and effective manner and the ability of the Company to obtain financing as and when required and on reasonable terms. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such 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.

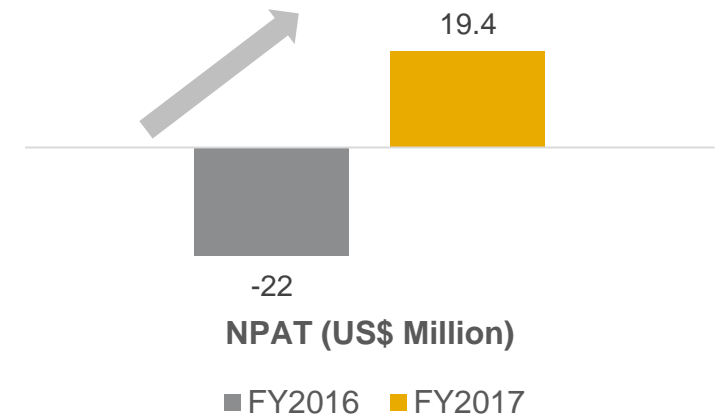
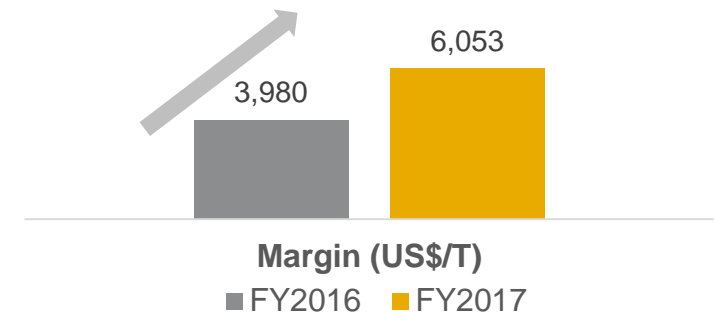
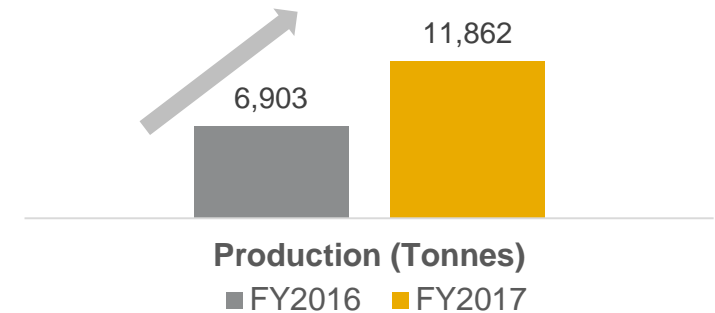
The technical information in this announcement has been prepared by Murray Brooker of Hydrominex Geoscience. Murray Brooker is a geologist and hydrogeologist and is a Member of the Australian Institute of Geoscientists. Murray has sufficient relevant experience to qualify as a competent person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. He is also a "Qualified Person" as defined by Canadian Securities Administrators' National Instrument 43-101. Murray Brooker consents to the inclusion in this announcement of this information in the form and context in which it appears.

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) 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.

# STRONG RESULTS - FIRST FULL YEAR OF PRODUCTION

## Our first full year of commercial production at Olaroz (100%)

- Production of **11,862 tonnes** of lithium carbonate, up **72%** on prior comparative period (pcp)
- Olaroz sales revenue of **US\$120M** on **12,296 tonnes**
- Olaroz gross cash margin of **US\$6,053/tonne (62%)**
- Olaroz operating EBITDAIX<sup>1</sup> of **US\$71.2M**
- Improving sales prices to **US\$10,696/tonne FOB<sup>2</sup>** in June quarter
- Olaroz strongly cash flow positive, repaying debt
- At 30 June 2017, Orocobre has **US\$51.6M** cash at bank
- ORE net profit of **US\$19.4M<sup>3</sup>**, up **US\$41.4M** on pcp



1. See notes page

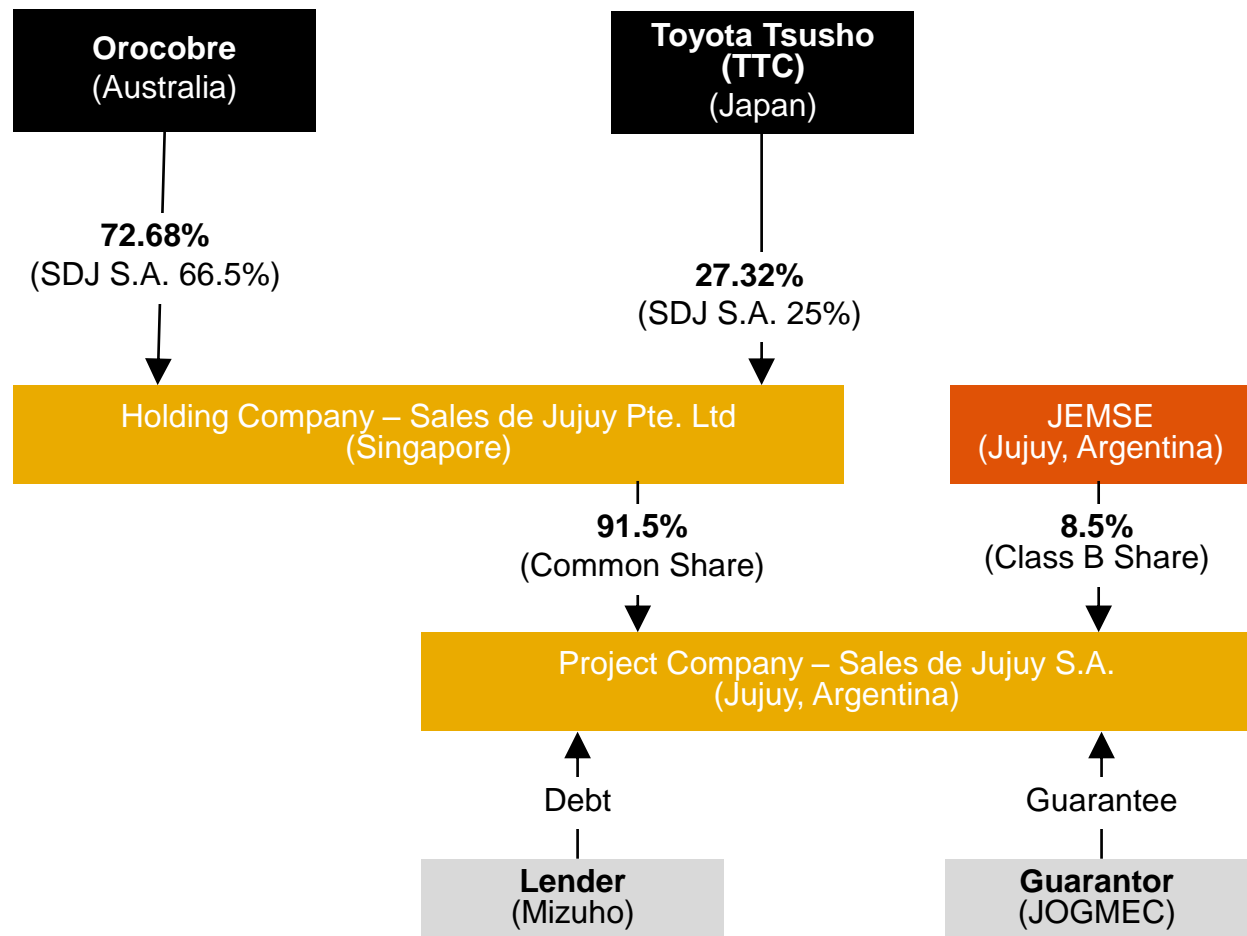
2. See notes page

3. Underlying net profit of US\$13.8M after sales of assets of US\$14.8M and Borax impairment of US\$8.1 million



# FINANCIALS

# OLAROZ JOINT VENTURE STRUCTURE



- Group accounts are Equity accounted due to the control structure of Sales de Jujuy Pte Ltd
- Proportionally consolidated accounts have been prepared to indicate contribution of underlying operations
- The JEMSE and Toyota Tsusho interests in Sales de Jujuy Pte Ltd are recognised as a Non-Controlling Interests (**NCI**)

# OLAROZ STRONGLY PROFITABLE IN FIRST FULL YEAR

## Proportionally Consolidated P & L

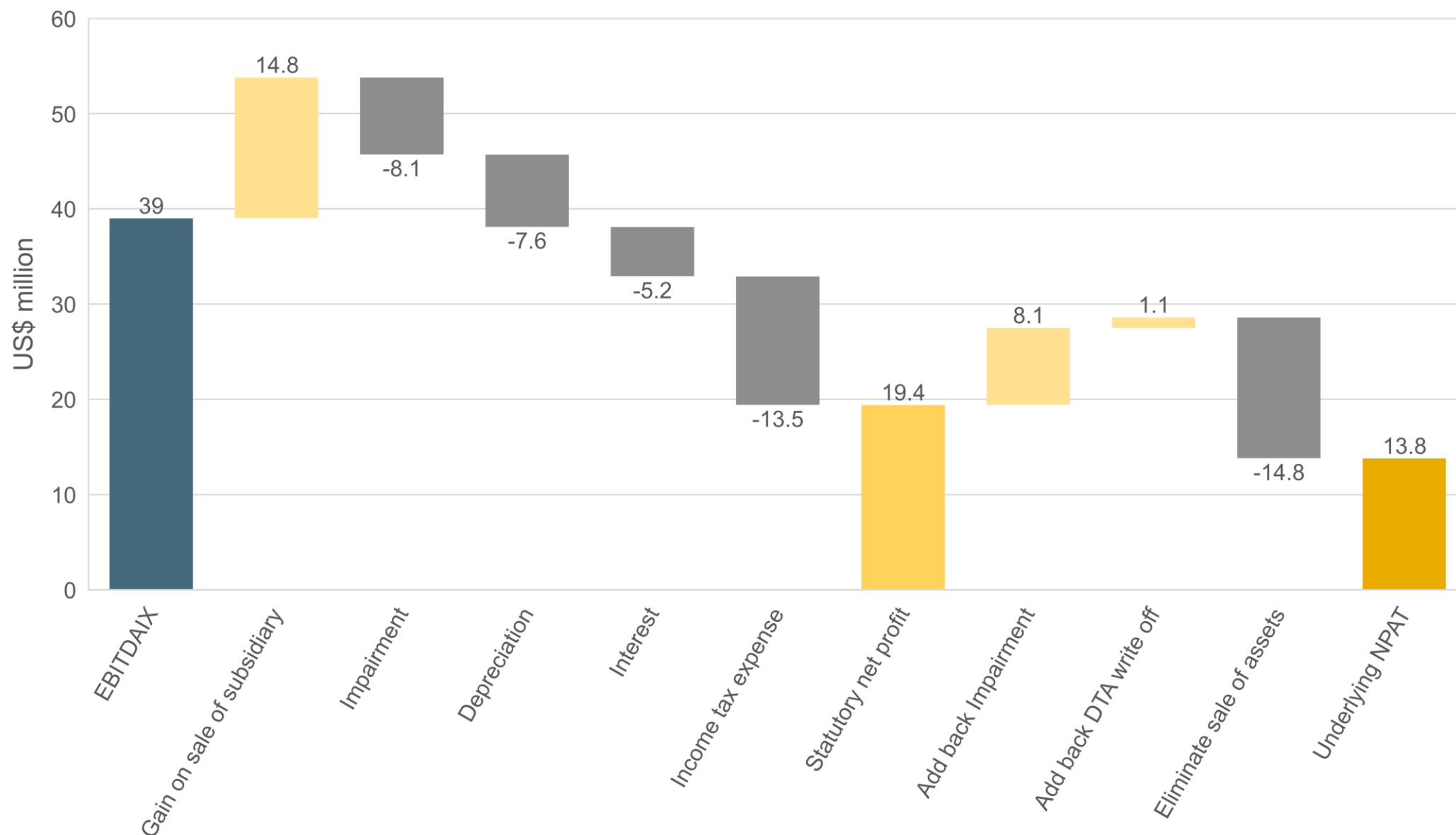
Proportionally consolidated P&L	ORE Group Statutory Results	SDJ PTE (100%)	Eliminate NCI of PTE (33.5%)	Add back equity accounting of PTE profit	Consolidated Group incl PTE
Year ended 30 June 2017					
US\$ million					
Revenue and other income	17.4	120.1	(40.3)	-	97.2
<b>EBITDAIX*</b>	<b>(8.3)</b>	<b>71.2</b>	<b>(23.9)</b>	-	<b>39.0</b>
Depreciation & Amortisation	(1.8)	(8.8)	3.0	-	(7.6)
<b>EBITIX**</b>	<b>(10.1)</b>	<b>62.4</b>	<b>(20.9)</b>	-	<b>31.4</b>
Interest	1.8	(10.6)	3.6	-	(5.2)
<b>EBTIX***</b>	<b>(8.3)</b>	<b>51.8</b>	<b>(17.3)</b>	-	<b>26.2</b>
Foreign currency gains/(losses)	0.6	(0.9)	0.3	-	-
Impairment	(8.1)	-	-	-	(8.1)
Share of net gains of joint venture	21.5	-	-	(21.5)	-
<b>Segment profit/(loss) before tax from continuing operations</b>	<b>5.7</b>	<b>50.9</b>	<b>(17.0)</b>	<b>(21.5)</b>	<b>18.1</b>
Income tax benefit/(expense)	(1.1)	(18.7)	6.3	-	(13.5)
Profit/(loss) for the year after tax from continuing operations	4.6	32.2	(10.7)	(21.5)	4.6
Profit/(loss) for the year after tax from discontinued operations	14.8	-	-	-	14.8
<b>Total profit/(loss) for the year after tax</b>	<b>19.4</b>	<b>32.2</b>	<b>(10.7)</b>	<b>(21.5)</b>	<b>19.4</b>

## Financial highlights

- Sales of 12,296 tonnes at average of US\$9,763/tonne
- Cash operating costs of US\$3,710/tonne (excluding royalties and head office costs)
- Gross cash margins of US\$6,053/tonne (62%)
- Depreciation costs of US\$712/tonne
- Financing costs of US\$10.6M include interest from project funding and working capital facilities of US\$9.4M, and accrued interest of shareholder loans of US\$3.6M, offset by other finance income of US\$2.4M
- Sale of South American Salars and Salinas Grandes resulted in a US\$14.8M profit
- Borax impairment of US\$8.1M
- Income tax expense of US\$18.7M at an effective tax rate of 36% relates to change from a net Deferred Tax Asset position to a Liability as the joint venture generated taxable income

\*EBITDAIX, \*\*EBITIX, and \*\*\*EBTIX are non audited, non IFRS measures, refer to slide in the appendix

# UNDERLYING ATTRIBUTABLE PROFIT (ORE SHARE)



# A STRONGER BALANCE SHEET

## Proportionally Consolidated Balance Sheet

Proportionally consolidated balance sheet	ORE Group Statutory Results	SDJ PTE (100%)	Eliminate ORE Group PTE related Items	Eliminate NCI of PTE (33.5%)	Consolidated Group incl PTE	Consolidated Group incl PTE	% Variance movement for period
US\$ million	FY17	FY17	FY17	FY17	FY17	FY16	FY17 vs FY16
<b>CURRENT ASSETS</b>							
Cash and cash equivalents	51.6	4.1	-	(1.4)	54.3	36.3	50%
Financial assets	9.8	-	-	-	9.8	-	100%
Trade and other receivables	23.8	11.1	(16.6)	(3.7)	14.6	6.4	128%
Inventory	6.4	22.4	-	(7.5)	21.3	18.5	15%
VAT Receivable	0.5	18.5	-	(6.2)	12.8	11.9	8%
Other	0.1	3.8	-	(1.3)	2.6	2.3	13%
<b>Total Current Assets</b>	92.2	59.9	(16.6)	(20.1)	115.4	75.4	53%
<b>NON-CURRENT ASSETS</b>							
Property, plant and equipment	9.1	333.7	-	(95.9)	246.9	250.1	-1%
Investment in associate and joint ventures	79.2	-	(57.7)	-	21.5	-	100%
Inventory	0.4	19.7	-	(6.6)	13.5	7.6	78%
Trade and other receivables	56.3	0.9	(47.2)	(0.3)	9.7	8.9	9%
VAT Receivable	1.5	-	-	-	1.5	8.2	-82%
Other	1.4	17.3	-	(5.8)	12.9	64.8	-80%
<b>Total Non-Current Assets</b>	147.9	371.6	(104.9)	(108.6)	306.0	339.6	-10%
<b>TOTAL ASSETS</b>	240.1	431.5	(121.5)	(128.7)	421.4	415.0	2%
<b>CURRENT LIABILITIES</b>							
Trade and other payables	9.3	10.3	-	(3.5)	16.1	12.9	25%
Loans and borrowings	0.9	80.9	(16.6)	(21.5)	43.7	51.3	-15%
Other	0.4	9.7	-	(3.2)	6.9	6.7	3%
<b>Total Current Liabilities</b>	10.6	100.9	(16.6)	(28.2)	66.7	70.9	-6%
<b>NON-CURRENT LIABILITIES</b>							
Trade and other payables	0.6	4.2	-	(1.4)	3.4	1.2	183%
Loans and borrowings	0.1	185.7	(47.2)	(46.4)	92.2	113.7	-19%
Deferred tax liability	-	26.8	-	(9.0)	17.8	12.5	42%
Other	10.8	18.8	-	(6.3)	23.3	27.2	-14%
<b>Total Non-Current Liabilities</b>	11.5	235.5	(47.2)	(63.1)	136.7	154.6	-12%
<b>TOTAL LIABILITIES</b>	22.1	336.4	(63.8)	(91.3)	203.4	225.5	-10%
<b>NET ASSETS</b>	218.0	95.1	(57.7)	(37.4)	218.0	189.5	15%

Cash increase of US\$18M largely due to net operating cash inflows of US\$29.8M (US\$23.9M of SBLC's release) partially reduced by net outflow of investment activities of (US\$8.3M) and net financing activities outflows of US\$3.5M

Variance of financial assets relates to reclassification of SBLC's from non-current to current assets

Net increase in inventory of US\$14.6M at Olaroz due to build up of reagents, spare parts and brine inventory in preparation for FY18 production ramp up

Increase in investment in associates of US\$21.5M due to recognition of ORE's investment in Advantage Lithium

Net decrease in VAT receivable of US\$5.8M due to collection of VAT during FY17 related to the construction of Olaroz

Net reduction of borrowings due to the net pay down of working capital facilities and project financing loan



# POSITIVE OPERATIONAL CASHFLOWS

## Proportionally Consolidated Cashflow

Proportionally Consolidated Cash Flow Statement	ORE Group Statutory Results	SDJ PTE (100%)	Eliminate ORE Group PTE related items	Eliminate NCI of PTE (33.5%)	Consolidated Group incl PTE
Year ended 30 June 2017					
US\$ million					
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	16.8	115.7	-	(38.8)	93.7
Payments to suppliers and employees	(24.8)	(82.1)	-	27.5	(79.4)
Interest received	2.2	0.2	-	(0.1)	2.3
Interest paid	(0.8)	(4.1)	-	1.4	(3.5)
VAT recouped	0.2	22.4	-	(7.5)	15.1
Other cash receipts	-	2.3	-	(0.7)	1.6
<b>Net cash provided by operating activities</b>	(6.4)	54.4	-	(18.2)	29.8
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Capitalised exploration & development expenditure	(0.5)	-	-	-	(0.5)
Proceeds from sale of subsidiary, net of cash	3.8	-	-	-	3.8
Purchase of property, plant and equipment	(3.4)	(12.3) *	-	4.1	(11.6)
Investment in joint venture	(1.0)	-	1.0	-	-
<b>Net cash used in investing activities</b>	(1.1)	(12.3)	1.0	4.1	(8.3)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Standby letters of credit (SBLC's) on behalf of joint venture	23.9	-	-	-	23.9
Proceeds from issue of shares	0.9	1.5	(1.0)	(0.5)	0.9
Net repayment of borrowings	(0.7)	(40.3)	-	13.5	(27.5)
Loan to joint venture	(0.1)	-	-	-	(0.1)
<b>Net cash used in financing activities</b>	24.0	(38.8)	(1.0)	13.0	(2.8)
<b>Net increase in cash held</b>	16.5	3.3	-	(1.1)	18.7
<b>Cash and cash equivalents at beginning of year**</b>	35.1	0.8	-	(0.3)	35.6
<b>Cash at end of year**</b>	51.6	4.1	-	(1.4)	54.3

Strong cash inflows generated from full year revenues

VAT recouped from construction CAPEX

Proceeds of Salinas Grandes net of transaction costs

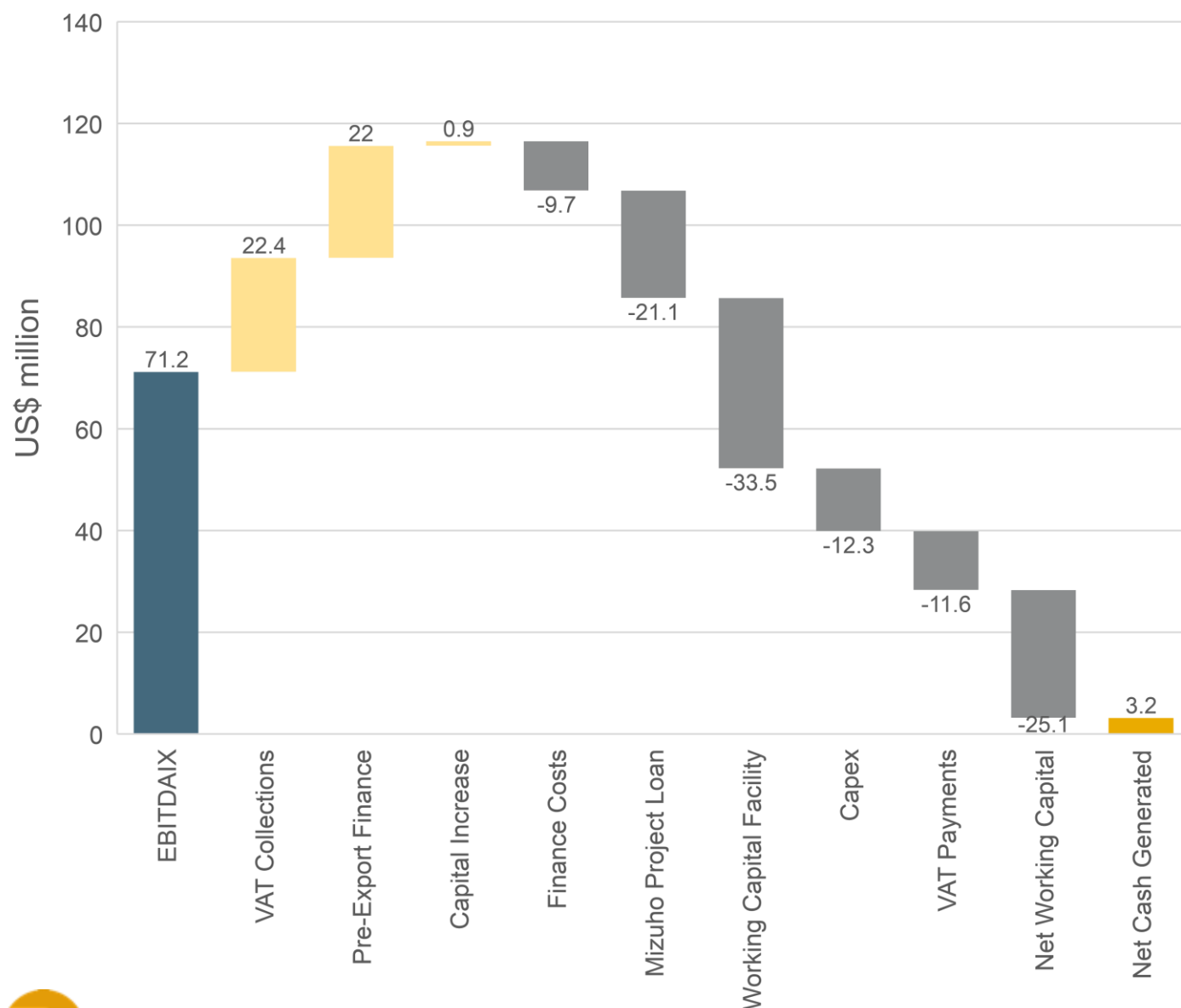
SBLC's of US\$23.9M were released to the Group as SDJ paid down its working capital facilities by US\$33.5M. The facility was partially replaced with a non-guaranteed pre-export facility

Net repayment at 100% SDJ includes debt principal and interest payments of US\$27.1M, and net paydown of working capital facilities

\* Cash outflows from purchasing of property, plant, and equipment of US\$12.3M include payments of US\$2.4M related to CAPEX from FY16 carried over into the year ended 30 June 2017

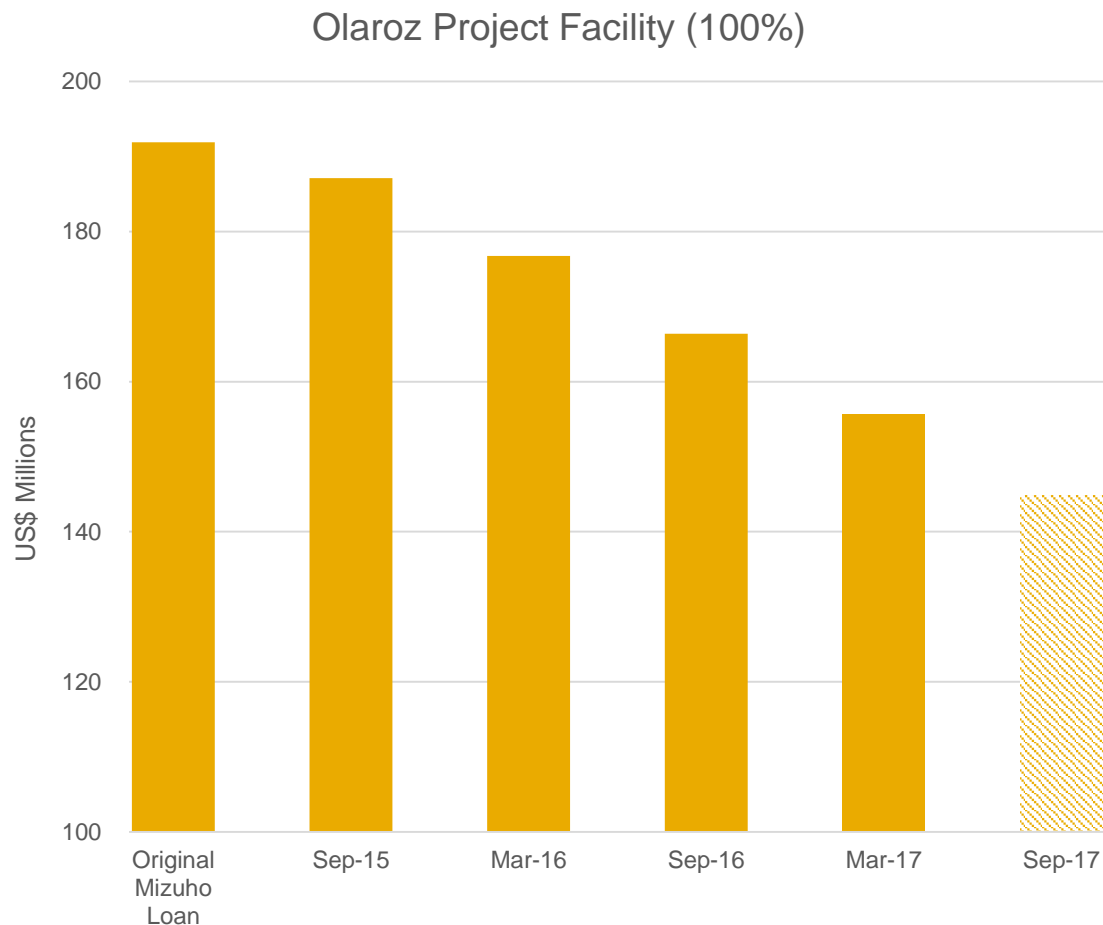
\*\*Cash and cash equivalents are shown net of overdraft facilities of US\$0.7M from Borax Argentina which were converted into a pre-finance loan during the year ended 30 June 2017.

# OLAROZ REPAYING DEBT AND RELEASING CASH



- Increases in production and sales during the fiscal year resulted in strong operating cash inflows from EBITDAX
- VAT reimbursement for US\$22.3M as sales ramped up
- Financing costs and project finance principal and interest payments met from cashflow
- Net working capital outflows included:
  - US\$10.6M increase in inventory
  - US\$3.2M increase in warehouse inventory (reagents, spare parts)
  - US\$9M increase in accounts receivable
  - Net US\$2.3M decrease in payables and prepayments

# STRONG CASHFLOW REDUCING PROJECT DEBT



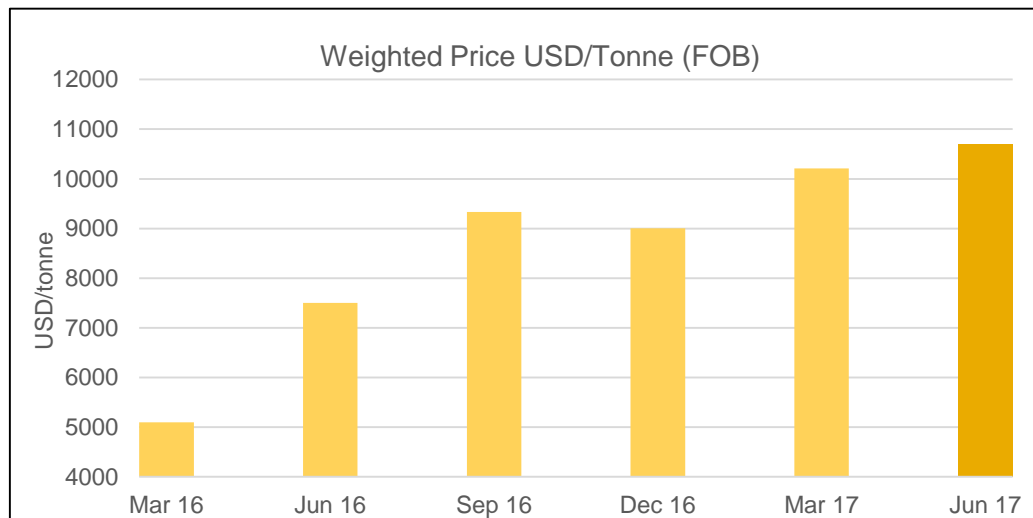
- ~US\$47M principal of the Project Debt (25% reduction) repaid over the first 2 years
- Project Debt balance reducing to ~US\$145M during September
- Project Debt repayments scheduled every six months to September 2024
- Project Debt incurs a low average interest rate of ~4.25%
- Orocobre proportional net debt of US\$65.3M at 30 June 2017 (1.7x ORE EBITDAIX)



# OPERATIONAL PERFORMANCE & GROWTH PLANS



# DIVERSE CUSTOMER BASE AND STRONG PRICING



GEOGRAPHIC DISTRIBUTION OF LITHIUM CARBONATE SALES



- Geographically diverse customer base including Japan, South Korea, Europe, USA and China
- Continuing to sell into industrial, chemical and battery markets
- Average price received continues to improve, now seeing consistent >US\$10,000/T contract pricing (average across all products)
- SQM recently noted that market growth is likely to be around 14% this year

# OPERATIONAL UPDATE

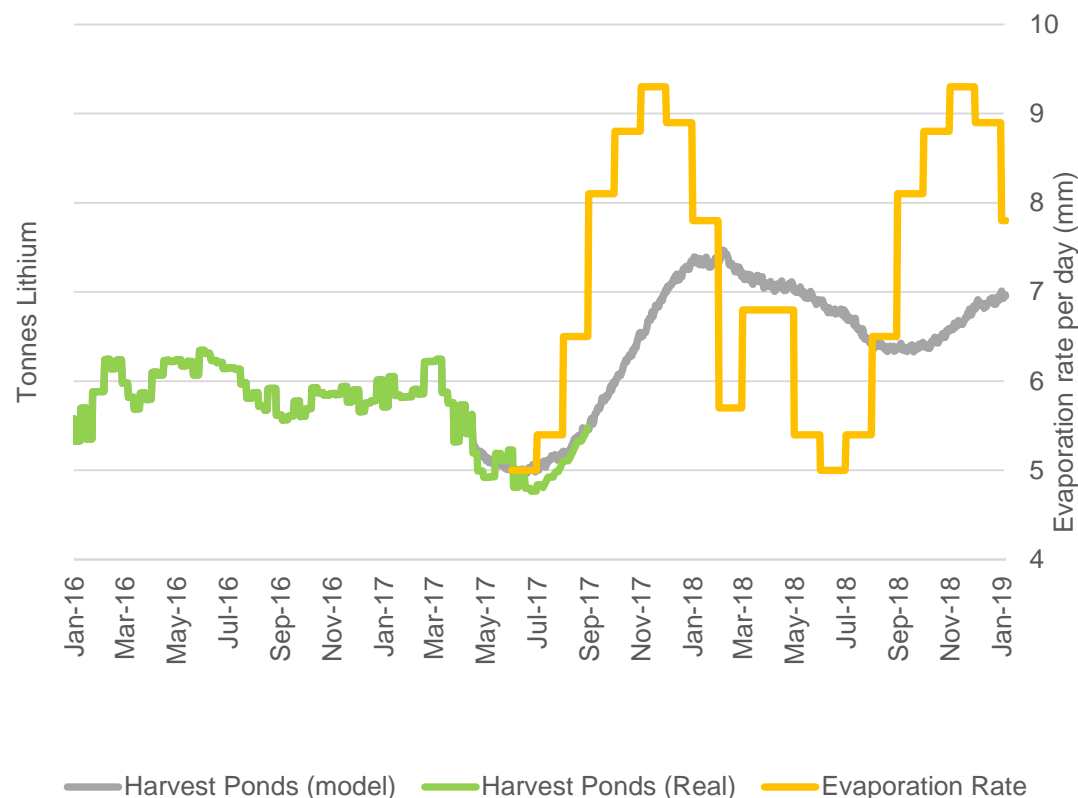
## Olaroz

- An experienced operating team with support from world class consultants
- Proprietary knowledge and technology
- A strong competitive advantage

## Ponds and inventory adjustment

- Bathymetric surveys completed to date, and other studies, have shown larger volumes of available brine than previous estimates
- Pond inventory levels consequently upgraded compared to June quarterly report from 38,300 tonnes to 44,000 tonnes LCE
- Pond operational practices have improved following extensive reviews
- New infrastructure is being installed

Harvest Ponds Inventory  
MODEL vs REAL



***Pond actual performance in line with  
production model forecast***

# GUIDANCE FOR FY18 & PROCESSING PLANT

## A significant increase in production...

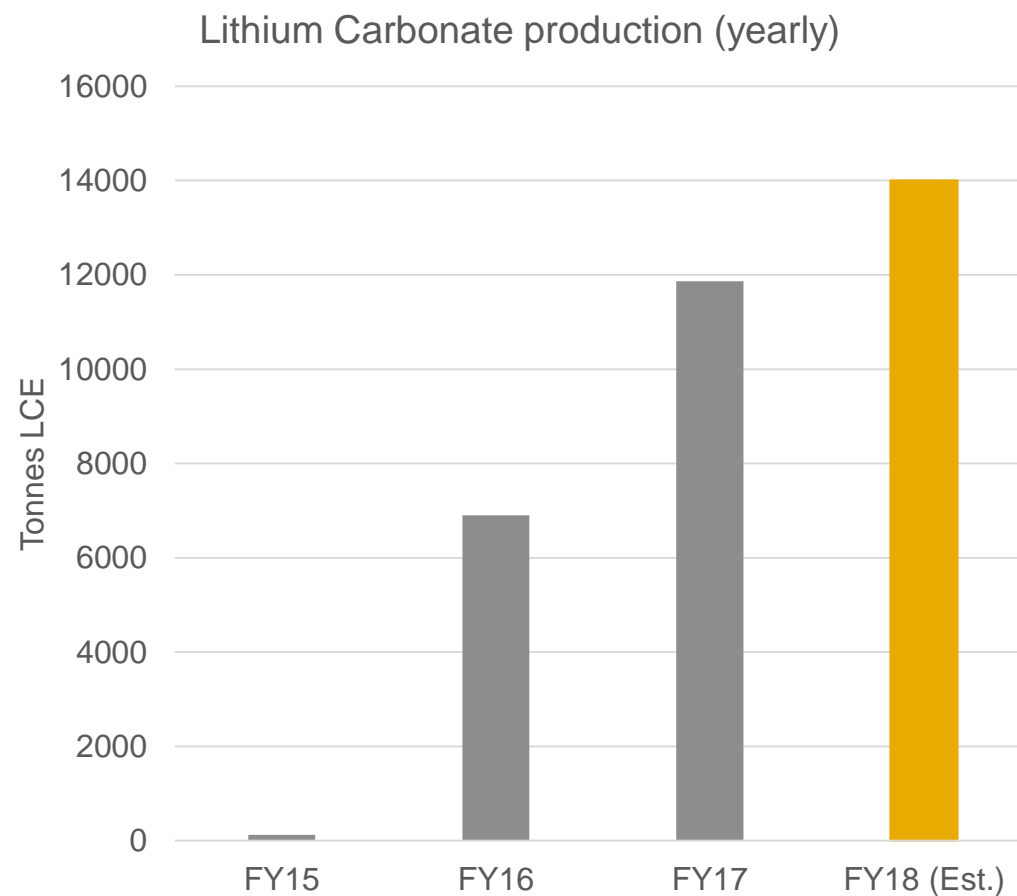
- Preliminary guidance of ~14,000 tonnes for FY18, up from 11,862 tonnes in FY17
- to be approximately 45/55 first half/second half

## ....based on

- Successful debottlenecking and modifications
- Improved understanding of brine inventory
- >2.5 years of operational learnings

## ...and recently,

- Hydrocyclones are installed and operating for the last six months in both the primary and purification circuits
- Improvements in pond management and controls

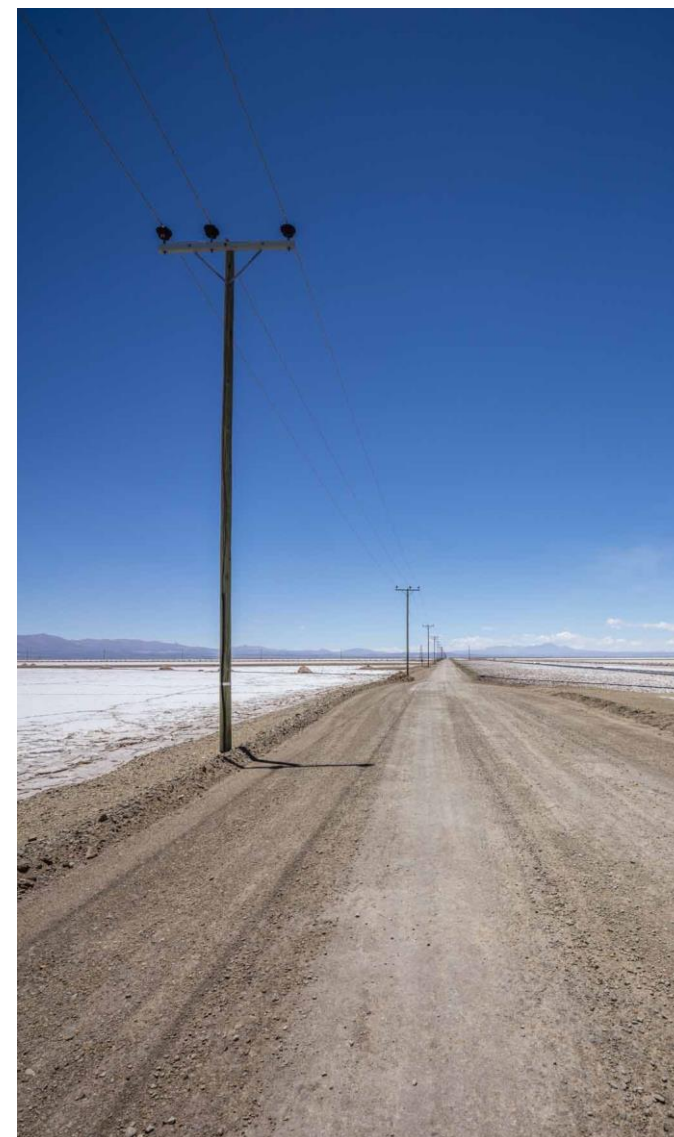


# GROWTH AT OLAROZ

*World class asset with very large resource capable of sustaining multiple internally funded expansions*

**Olaroz Basin - existing resource of 6.4 million tonnes of LCE to 200 metres**

- Exploration Target of 1.6 - 7.5 million tonnes LCE to 323 metres
- Drilling indicates depth resource extension to at least 450 metres, and geophysical surveys to 600 metres
- Phase 2 expansion studies advancing to double production capacity to 35,000 tpa lithium carbonate
- Final investment decisions remains subject to meeting production milestones and financing requirements
- Olaroz primary product to supply 10,000 tpa lithium hydroxide plant with JV approval expected this calendar year





# LITHIUM MARKET IS MORE DEFINED

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## **Lithium Market Fundamentals remain strong**

- Pricing firmed to >\$10,000/T FOB, SQM commented, “market prices will trend up during the remainder of the year.”
- Significant headwinds for new production, supply additions remain over-estimated

## **The end game is becoming clearer – for example**

- UK and France have banned the sale of internal combustion engine vehicles by 2040, India to only sell EVs by 2030
- 750k EVs were sold last year, OPEC suggests that by 2040 the global vehicle fleet will include 266 million EVs, Bloomberg New Energy Finance suggests by 2040 there could be 530 million, or one third of all cars will be EVs!

## **The lithium supply model has to change to meet coming demand**

- Demand growth is going to outstrip projected new supply
- Access to technical skills and experience will mean brownfields expansions are lowest risk and fastest to market
- Access to finance remains a key constraint for new projects
- Strategic relationships will be key for lithium producers and lithium consumers

**There is a clear opportunity for Orocobre to emulate the multi-phase Atacama development and create significant value for shareholders.**

# ADVANTAGE LITHIUM

## Advantage Lithium (AAL)

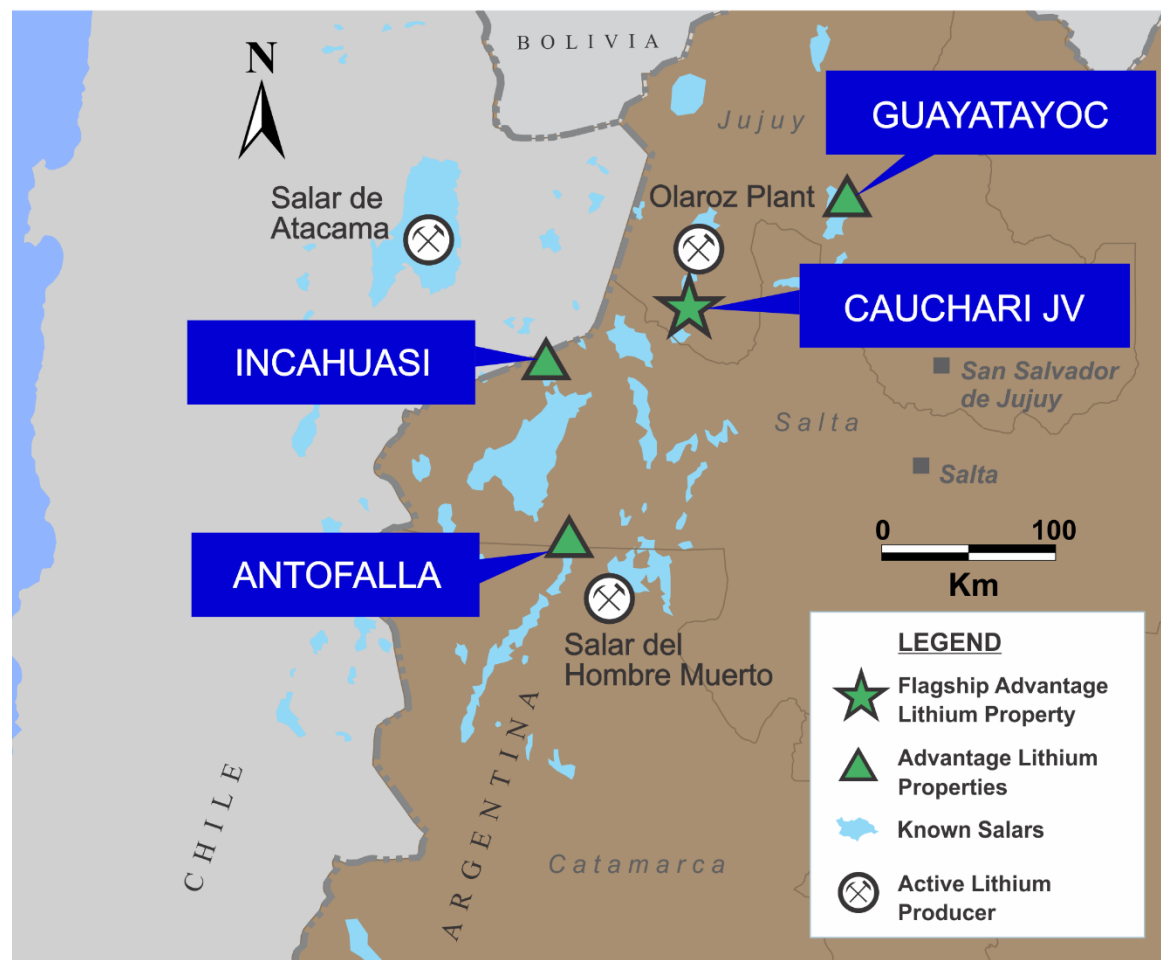
- Orocobre hold ~35% of AAL after vending in 85,000 Ha of exploration assets
- AAL exploration program funded with C\$20M

## Cauchari Project (50% ORE, 50% AAL) - AAL earning 75%

- Drilling underway with five rotary holes and 12 diamond holes planned
- Chemistry is similar to Olaroz
- Located only 10-20Km from Olaroz – potential to process Cauchari brine
- Rapid exploration and development timeline
- Low capex production options

## Exploration projects

- Antofalla / Antofallita, Incahuasi, Guayatayoc – pit sampling returning results up to 326 ppm lithium
- Salinas Grandes royalty
- Five projects in Clayton Valley, Nevada with drilling intersecting strong grades and brine flow over wide intervals



# BORAX IMPAIRMENT REFLECTS MARKET CONDITIONS

## Borax Argentina

- Impairment of US\$8.1 million reflects current operating environment
- Difficult trading conditions continue
- Focus on maximising production and delivering higher volumes
- Costs have not reduced as quickly as prices
- Significant value exists in the assets and Tincalayu expansion studies continue to consider production increase from 30ktpa to 100-120 ktpa borax decahydrate equivalent

## Operations and finances

- Sales volumes were up 18%
- Gross profit margins were up by 1.3%
- Loss impact by US\$8.1M of impairment write-downs, and Deferred Tax Asset derecognition of US\$1.1M



***Nearly 2 years without an LTI at Sijes***

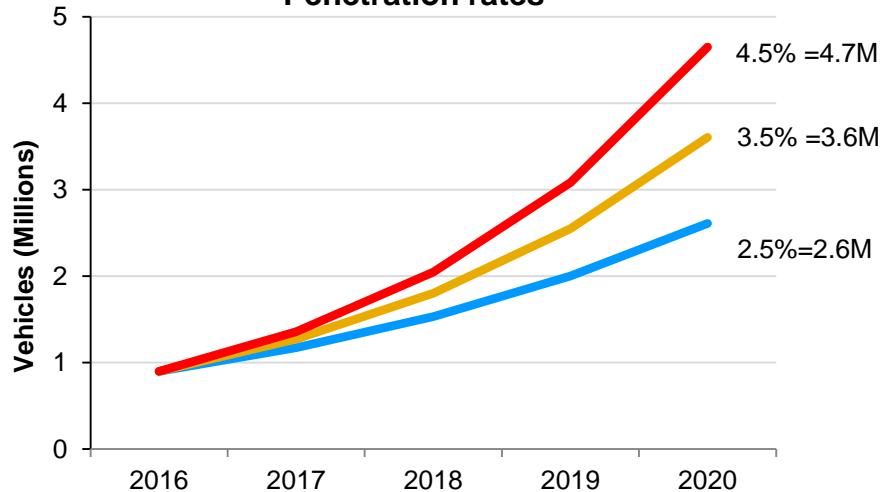


# MARKETS



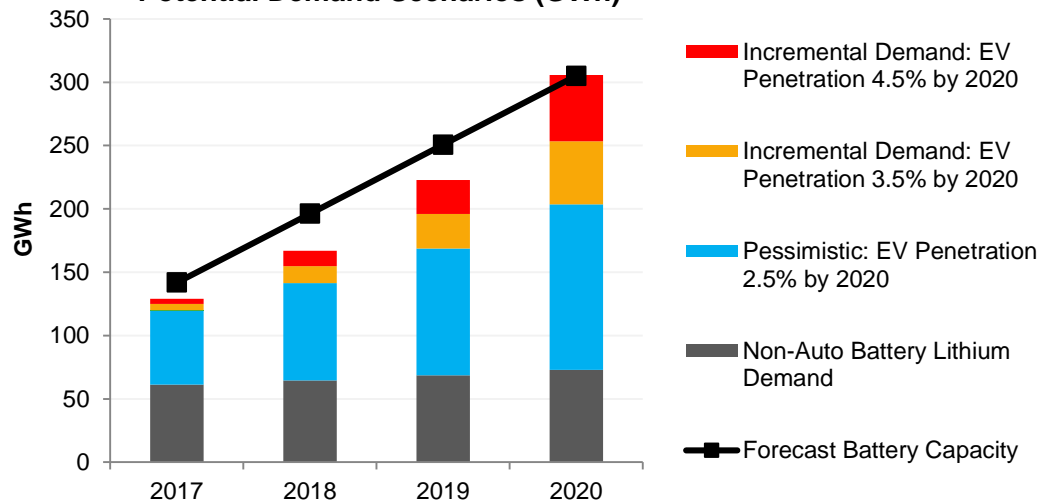
# BATTERY PRODUCTION CAPACITY IS ALIGNED WITH EV'S..

EV Sales Units (Millions) with various EV Penetration rates



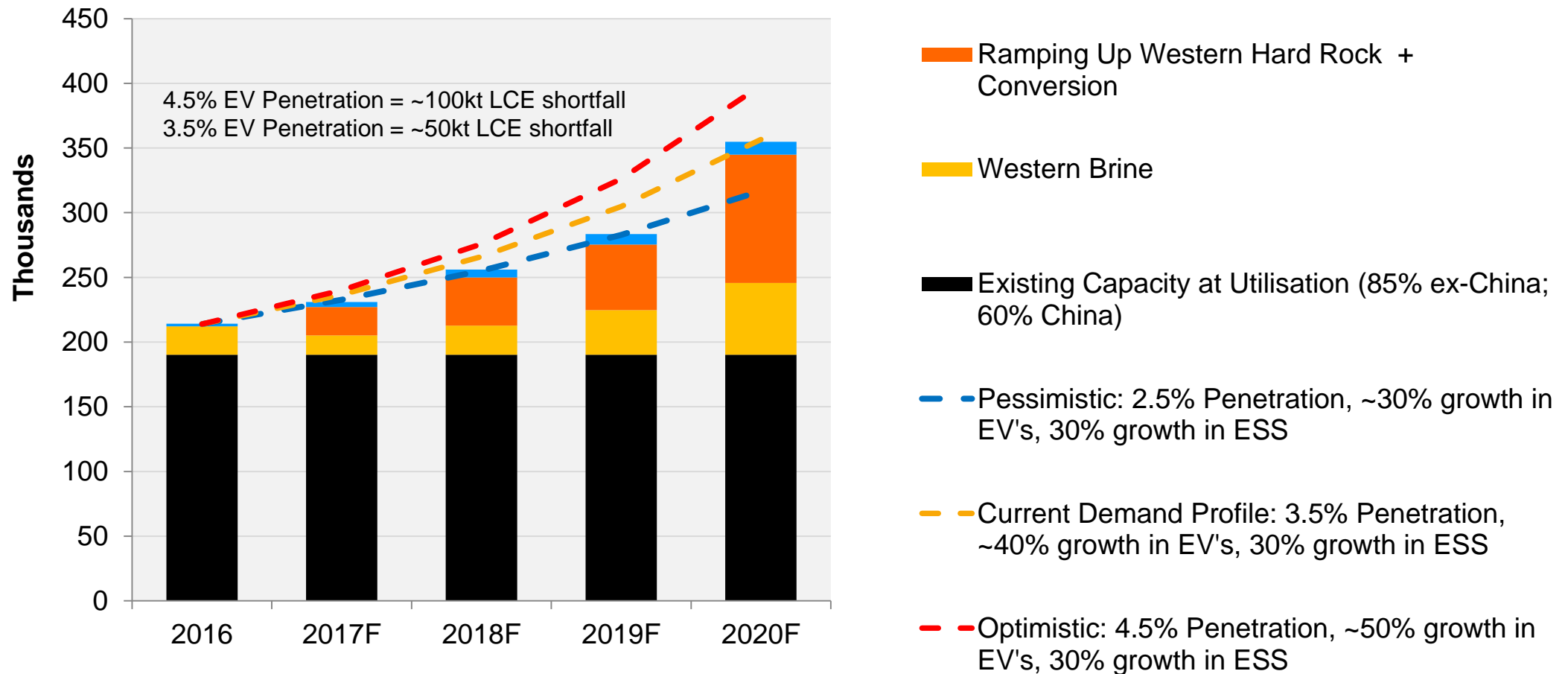
- At the current growth rate of ~40%, EV penetration will reach 3.4% by 2020 and equate to 3.5M EV's.
- An EV penetration of 2.5% in 2020 would represent a deceleration in growth
- The difference between a optimistic (4.5%) and pessimistic (2.5%) view is 82kt LCE lithium demand by 2020
- 3.5% EV penetration is a reasonable mid-point assumption when compared to analyst projections
- A growing number of industry participants believe penetration rates of at least 4.5% are possible given recent momentum and support e.g. Government subsidies and policies, lowering costs, growing range of EV models available to consumers
- However, any growth above 4.5% EV penetration OR further upside to ESS growth (>30%) would require battery capacity above the current forecasted ~305 GWh figure

Battery Capacity & Potential Demand Scenarios (GWh)



# ...BUT NEW LITHIUM SUPPLY WILL FALL SHORT

**Orocobre View of  
Lithium Supply and Demand LCE tpa**



# SUMMARY

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**Full year profit of US\$19.4M in first year of commercial production**

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**Confirmed position as a low cost, high margin producer with EBITDAIX US\$71.2M**

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**Initial production guidance of ~14,000 tonnes for FY18**

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**Work is progressing to doubling of production at Olaroz to 35,000 tonnes of lithium carbonate per year**

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**10,000 tonne per annum hydroxide plant expecting JV approval this calendar year**

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**Expansion plans to be funded without new equity**

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**Lithium market fundamentals remain strong with new high cost supply continuing to enter**

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**Staged expansions to grow Olaroz production**

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# NON-IFRS MEASURES AND DEPRECIATION

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## NON-IFRS MEASURES

- **EBITDAIX, EBITIX, and EBTIX** are non-IFRS financial information and have not been subject to audit by the Company's external auditor
- **EBITDAIX** is 'Earnings before interest, tax, depreciation, amortisation, impairment and foreign exchange losses/gains'.
- **EBITIX** is 'Earnings before interest, tax impairment, and foreign exchange losses/gains'.
- **EBTIX** is 'Earnings before tax, impairment and foreign exchange losses/gains'. EBITDAIX is used to measure segment performance and have been extracted from Note 25 'Segment Reporting of the annual report.
- **Statutory profit/(loss) is profit/(loss)** after tax attributable to owners of the parent.
- **'Proportional consolidation's** a non-audited accounting method which includes items of income, expense, assets and liabilities in proportion to the company's percentage of participation in the joint venture.

## DEPRECIATION

- **Accounting depreciation**
  - Depreciation method: Unit of production
  - Useful life: From 20 to 40 years depending on the asset based on LCE production of 17,500 tonnes per annum
- **Tax depreciation for Olaroz**
  - Infrastructure: Accelerated depreciation over three years of 60%, 20% and 20%
  - Equipment: Accelerated depreciation over three years of 33.3%, 33.3% and 33.3%
- SDJ SA – PP&E Tax basis residual value ~ US\$25M (1) (2) after carried forward tax losses of US\$222M
- SDJ SA – Books PP&E residual value at 30 June 2016 US\$ 237M (2)

# TAXATION IN ARGENTINA

- Corporate tax. 35% Worldwide income basis.
- Losses carry forward. 5 years. Under the mining law this period can be extended based on the generation of taxable income and PP&E useful life.
- Double Taxation relief. Only 16 countries, excludes US.
- Transfer pricing rules apply.
- Annual Depreciation rates range from 2%-33% generally calculated on straight line basis (2% buildings, 10% machinery/equipment, 20% tools/vehicles). A double deduction can apply for certain capitalised costs, exploration work and for certain other expenses. Accelerated amortization can also be obtained on certain CAPEX. Deduction per year 60%, 20%, 20% for infrastructure and 33.3%, 33.3%, 33.3% for the rest of fixed assets.
- Withholding taxes.
  - Dividends 10%. If dividends exceed taxpayer's accumulated taxable income, certain adjustments are made and if applicable a further 35% is levied
  - Interest generally 35%. Can be reduced to 15.05% in certain instances.
  - Royalties/fees. 35% of a percentage of the relevant royalty or fee. Technical assistance/consulting/engineering 35% of 60% i.e. 21%. Technical assistance contracts are registered in the INPI (National Institute of Intellectual Property).
- Social Security/Wage tax. 23%-27% of payroll. 9.70%-10.75% of the payroll amount can be recovered as VAT due to geographical location.
- VAT. General rate 21%. In some instances higher and lower rates apply (e.g. 27% power, natural gas and 10.5% on interests). Export of goods and services are zero rated.
- Real Estate Tax. Provincial government levy real property tax on urban and rural land depending on the jurisdiction.
- Stamp tax. Generally approximately 1% on contracts, negotiable instruments and notarial deeds. Can be between 2.5%-4% in certain instances. Currently SDJ SA has an exemption on stamp tax due to a provincial resolution (expires in 2019). This exemption is renewable. In the case of BRX, mining related contracts are exempted of stamp tax according to the tax regime of the Salta province.
- Export Duties. The new government administration reduced the tax rate from 5% to 0%. Export duties benefit refund continues in force: Puna region refund and general government refund of 2.5% each after approximately 1 year of the exports date. In the case of BRX, 2.5% applies to all products plus additional 2.5% to refined products.
- Financial transactions. On debits and credits in current/check accounts at a bank 0.6% per transaction. A portion of this tax is recovered as Income Tax Prepayment.
- Import tax: 1% rate checkout destination. Exempted of statistical rate (1%) and rights rate (10 to 26%) due to the registration in the mining investment law and if the a certificate for the specific imports is obtained from the mining secretary. VAT (materials 21% and CAPEX 10.5%), income tax (11%) and sales tax (2.5%) may apply.
- Sales tax. SDJ exemption expires in 2019. In the case of BRX, some activities are taxable in some jurisdictions and rates vary from 1.8% to 8%.
- Royalties. 3% mouth of mine

# VAT

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- Exports are exempt from VAT (tax rate 0% for VAT debits).
- VAT Credits generated through the purchase of raw materials, goods and CAPEX can be recovered through the following alternatives:
  - a) against operations in the domestic market;
  - b) compensation with other taxes of the Company (e.g., against Income Tax, Social Security Contributions, VAT withheld to suppliers);
  - c) reimbursement (21% of FOB Exports), or
  - d) transfer to third parties (commission involved of approx. 3% - 3.5%)
- The recovery process basically consists in detailing all the suppliers' invoices, whose tax credits are linked to exports and lodging a reimbursement request to the Tax Office. Such request, with opinion of a Public Accountant, is processed and can be fully or partially accepted (VAT with observations).
  - VAT with observations. The Company can explain appeal whether the "observations" are correct or mistakes of the Tax Office.
  - If explanations are not accepted, there is a formal process to continue with the discussion of the observations
- When the VAT presentation is accepted, the Tax Office issues an "Administrative Act" stating that the recovery is correct and ready for processing its payment.
- In every lodgement of a VAT reimbursement request, the Tax Office will grant a VAT export refund up to the limit of the 21% of the FOB Exports (Exports VAT). The differences between the 21% of FOB and VAT lodged is treated as follows:
  - VAT related to the current month of sales is preferentially claimed before the Total VAT balances related to prior periods carried forward (and the project construction in the case of SDJ)
  - If Exports VAT is in excess of VAT Credit, the difference will be used to claim the outstanding accumulated balance of the VAT Credit;
  - If VAT Credit is in excess to Exports VAT, the difference will be accumulated as a VAT Credit to be recovered in the future with export sales.
- Once the Tax Office issues its approval resolution of the VAT reimbursement, companies can either wait for the payment (estimated 30 to 60 days) or transfer the Exports VAT to companies with a commission. This alternative helps improve cash flow and reduce the exposure to devaluation of balances in ARS.

# NOTES TO SLIDES

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- **ktpa** is thousands of tonnes per annum
- **NCI** is non controlling interest
- **pcp** is previous corresponding period
- **tpas** tonnes per annum

## Slide 3

1. EBITDAIX is 'Earnings before interest, tax, depreciation, amortisation, impairment and foreign exchange losses/gains'.
2. 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
3. Underlying net profit of US\$13.8M after sales of assets of US\$14.8M and Borax impairment of US\$8.1 million

## Slide 6

- EBITDAIX, EBITX, and EBTX are non audited, non IFRS measures, refer to slide in the appendix
- Proportional consolidation is a non audited presentation of the financial statements for commentary purposes
- NCI" is the Non Controlling Interest which represents the portion of equity ownership in the Joint Venture not attributable to Orocobre Limited