

ASX / TSX ANNOUNCEMENT

19 September 2016

Orocobre established as profitable, low cost lithium carbonate producer.

Orocobre Limited (ORE:ASX ORL:TSX) (**Orocobre** or the **Company**) today released its financial results for the 2016 financial year (FY16).

Highlights for FY16 included:

- Production of 6,903 tonnes of lithium carbonate;
- The Company's Olaroz Lithium Facility moved to commercial production from May 2016:
 - Generating EBITDAX¹ of US\$7.8M ;
 - Sales of 2,040 tonnes of lithium carbonate at an average price received of US\$7,535/tonne
 - Lithium production costs in second quartile of global production with operating cash cost of US\$3,555/tonne² achieved, excluding royalties and corporate costs;
- Forecast production uplift to >15,000 tonnes for FY17 and expansion studies plans on track targeting production uplift to 35,000 – 42,500 tonnes ;
- Market fundamentals for lithium remain intact with strong demand growth, tight supply and attractive prices;
- Circa US\$104 million cash inflow expected from Olaroz Lithium Facility related loans and guarantees;
- Strong balance sheet with available cash of US\$35.8 million, and debt to total asset ratio of 40% on a proportionally consolidated basis
- Borax Argentina was EBITDAX positive in the second half of FY16 and well positioned for recovery in key markets;

On a statutory basis, the Company recorded a FY16 full year statutory loss¹ of US\$22 million, including a non-cash foreign exchange loss of US\$20.9 million (on a proportionally consolidated basis²).

Orocobre Managing Director and CEO, Richard Seville said: "Orocobre has established itself as a profitable, low cost producer of lithium carbonate. We produced 6,903 tonnes of lithium carbonate in FY16 of which 4,481 tonnes was in the second half, and we continue to increase production".

“Strong market fundamentals for lithium carbonate products remain intact. We currently see a similar scenario as occurred two years ago where timing and quantity of new supply was significantly overestimated. These market fundamentals represent a material opportunity for Orocobre to deliver on its plans to expand production capacity at the Olaroz Lithium Facility to a targeted range of 35,000 – 42,500 tonnes per annum from the the tail end of 2018.”

Strong cash inflows

The Olaroz Lithium Facility (Sales de Jujuy, SDJ SA) has strong operating cash flows. This should facilitate a cash return in the order of US\$104 million to Orocobre from the release of Standby Letters of Credit against overdraft facilities available to SDJ SA and the repayment of shareholder loans. This cash will be utilised by Orocobre for corporate purposes including expansion opportunities and other activities that will enhance shareholder returns.

Proforma financials

Orocobre Group reported a statutory loss¹ of US\$22 million, which on a proportionally consolidated basis² includes a non-cash foreign exchange loss of US\$20.9 million.

Sales de Jujuy PTE and hence the Olaroz Lithium Facility, recorded positive EBITDAX² of US\$ 7.8 million for the two months of May and June 2016 since the commencement of Commercial Production. Borax Argentina like for like sales were up 4% after adjusting for the absence of low value tincal ore in the current year sales but total volumes were down 20% on the previous corresponding period. Despite the challenging market conditions EBITDAX₂ was positive in the second half of the year.

Proportionally consolidated² Profit and Loss

Year ended 30 June 2016	Corporate	SDJ PTE ¹	South American Salars	Borax Argentina	Eliminations	Total Entity
US\$ million						
Revenue	-	10.2	-	19.0	(0.4)	28.8
EBITDAX*	(6.7)	5.2	(0.1)	(0.8)	(0.2)	(2.6)
Less Depreciation & Amortisation	-	(0.5)	-	(1.7)	-	(2.2)
EBITX**	(6.7)	4.7	(0.1)	(2.5)	(0.2)	(4.8)
Less Interest	3.4	(1.2)	(0.2)	(1.3)	(1.4)	(0.7)
EBTX***	(3.3)	3.5	(0.3)	(3.8)	(1.6)	(5.5)
Less Foreign currency gains/(losses)	(0.1)	(18.3)	-	(2.5)	-	(20.9)
Segment profit/(loss) before tax	(3.4)	(14.8)	(0.3)	(6.3)	(1.6)	(26.4)
Income tax benefit/(expense)	-	3.8	-	0.6	-	4.4
Profit/(loss) for the year after tax	(3.4)	(11.0)	(0.3)	(5.7)	(1.6)	(22.0)

Outlook “Orocobre has made a strong start to FY17 and we expect our overall financial position to continue to strengthen in the year ahead. With cash to be returned to the group and ongoing operational improvement plans underway, the foundations are in place to continue to drive strong growth in production. 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” said Richard Seville.

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

Olaroz Lithium Facility

- >15,000 tonnes of production for FY17
- December quarter 2016 production of 3,500 – 4,000 tonnes at approximately US\$3,500/tonne cash operating cost per tonne
- ~US\$10,000/tonne average price forecast for December quarter 2016
- Capital expenditure of ~US\$8-10 million

Borax Argentina

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

Corporate

Corporate costs of ~US\$5 million

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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 (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 loss’ is a loss after tax before significant items attributable to owners of the Company such as foreign exchange loss proportionately consolidated of US\$20.9M.
- ‘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.
- “NCl” 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 battery grade 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