

ASX / TSX ANNOUNCEMENT

25 August 2021

Orocobre announces FY21 Results and implementation of merger with Galaxy Resources

Today, Orocobre Limited (**ASX: ORE, TSX: ORL**) (**Orocobre** or the **Company**), a dynamic global lithium chemicals producer, announces its financial results for the full year ended 30 June 2021 (**FY21**), as well as the completion of the merger with Galaxy Resources (**Galaxy**).

Key Outcomes:

- FY21 full year Net Loss After Tax of US\$89.5 million impacted by US\$74.9 million of Argentine tax rate changes and the effects of inflation and devaluation on deferred tax balances and tax losses
- Lithium prices are improving reflecting strong end market and customer demand
- Management of COVID 19 impacts has been highly effective
- Olaroz Stage 2 will be complete in FY22 and will deliver a significant reduction in cash costs and step up in volumes
- Naraha is near completion and awaiting lifting of COVID-19 travel restrictions for technical personnel to start commissioning
- Merger with Galaxy to deliver:
 - A top 5 global lithium chemicals company
 - Highly complementary portfolio of assets
 - Industry leading growth profile
 - Synergies unique to this combination
 - Highly experienced board & management team
 - Enhanced scale and financial capacity

FY21 Results

- Comprehensive COVID-19 bio-security protocols have been highly effective in limiting workforce infection and transmission
- Attributable group EBITDAIX¹ is up to US\$2.9 million, from a loss of US\$3.9 million with prices received more than doubling in the second half of the year (versus the first half), higher sales

¹ see notes at end of release

volumes and costs being reduced by 12%. The Group will benefit from the stronger pricing environment that has materialised since the 3rd quarter of the financial year

- Statutory consolidated net loss after tax of US\$89.5 million for FY21 compared with FY20 loss of US\$67.2 million. The underlying net loss after tax for the group is US\$20.8 million² after adjustments for tax rate changes, inflation and Argentine peso devaluation and includes US\$18.8 million of non-cash depreciation and amortisation
- Total production of 12,611 tonnes of lithium carbonate is up 6% on the previous corresponding period despite COVID-19 disruptions
- Battery grade lithium carbonate production reached 66% of total production for the June quarter and 48% for the full year, up from 24% in FY20
- Positive operational improvements from the Olaroz Lithium Facility:
 - Full year costs of US\$3,860/t² were down 12% year on year despite a full year of COVID-19 related costs and on-going disruptions. Olaroz remains among the lowest cost producers of lithium chemicals in the world
 - Gross operating cash margins of 23% equating to US\$1,123/tonne, despite lower prices
 - Significant quality improvements have resulted in very high customer satisfaction ratings
 - FY22 sales are contracted with pricing linked to market indices and other indicators for approximately 80% of committed volumes.
- As of 30 June 2021, Orocobre on a 100% Group basis had cash of US\$258.3 million
- Naraha Lithium Hydroxide Plant is mostly complete and the Stage 2 Expansion of the Olaroz Lithium Facility is nearing 60% complete.

Merger with Galaxy

On 19 April 2021 the Company announced that it had entered into a Merger Implementation Deed with Galaxy Resources Ltd. The Merger would result in the issue of 0.569 Orocobre shares for every Galaxy share.

Since then, all necessary approvals have been obtained to complete the merger effective from today 25 August 2021.

The merger has created a business that has the potential to be a Top 5 global lithium chemicals company³ with a highly complementary portfolio of assets delivering geographical and product diversification across brine, hard rock and vertical integration across the supply chain.

² Underlying net loss is calculated after adjustment for change in fair value, forex losses, tax effects, merger costs, restructuring and other costs

³ Based on market capitalisation as at ASX market close on 16 April 2021.

The combined company now has an industry leading growth profile with enhanced financial position to optimise and potentially accelerate development of future projects with the ability and intent to capture further downstream value.

Implementation

A detailed review of the business and reporting structure, cultural integration and communications has been conducted with external advisers. Key operating and corporate leadership positions are in place and the reporting structure has been re-aligned around the geographic distribution of assets and personnel.

Work programs are underway to pool key technical and project development knowledge in order to optimise growth projects.

Debt funding options for Sal de Vida stage 1 and subsequent stages are being considered to provide further balance sheet flexibility.

A range of projects remain underway which will contribute to the successful merger of the two companies.

Communication of a detailed strategic plan for growth projects is expected within 6 months, including development pathways for subsequent stages of Naraha, Olaroz, Sal de Vida and the James Bay project.

Comments

Orocobre Managing Director and CEO, Mr Martín Pérez de Solay said, "Orocobre has continued to deliver positive operating margins, despite COVID-19 and weaker market conditions throughout the first half of the financial year. This has been achieved through strong sales performance and a focus on costs and operating excellence.

"The completion of the merger today brings together assets and teams with highly complementary skills and knowledge. I would like to welcome Galaxy shareholders, employees and other stakeholders to Orocobre which subject to shareholder approval we will be rebranding to Allkem Limited and changing the ASX ticker to AKE.

"The name Allkem recognises that together we can deliver more for stakeholders. With the merger we will go further in our commitment to delivering the lithium chemicals that the world increasingly needs to mitigate climate change and carbon emissions.

"The merger consolidates the combined group's position in Argentina and provides an opportunity to build on a strong platform there and in our other key jurisdictions globally, including Australia, Japan and North America. It will give us significant operational, technical and financial flexibility to deliver the full value of our combined portfolio.

"Our operating strategy retains a focus on safety, quality and productivity which combined with disciplined cost management will deliver further improved operating results ensuring we remain a low-cost producer of lithium carbonate," Mr Perez de Solay said.

Consolidated Profit and Loss

Orocobre Consolidated Group	30 Jun 21	30 Jun 20
	US\$M	US\$M
Revenue	84.8	77.1
EBITDAIX*	2.9	(3.9)
Depreciation and amortisation	(18.7)	(13.9)
EBITIX**	(15.8)	(17.8)
Net finance costs	(21.1)	(12.9)
EBITX***	(36.9)	(30.7)
Net realisable value of inventory/(Impairment)	17.2	(33.1)
Foreign currency gains/(losses)	(3.6)	(11.7)
Rehabilitation provision remeasurement	3.5	-
Share of loss of associates	(1.7)	(1.5)
Total profit/(loss) for the year before tax	(21.5)	(77.0)
Income tax (expense)/benefit	(68.0)	9.8
Total profit/(loss) for the year after tax	(89.5)	(67.2)
Profit/(loss) attributable to:		
Owners of the parent entity	(59.6)	(52.0)
Non-controlling interest	(29.9)	(15.2)
Total profit/(loss) for the year after tax	(89.5)	(67.2)

This announcement has been approved by the Orocobre Limited Board of Directors

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Notes:

Unless otherwise stated, all financial data in this release is quoted in US dollars⁴.

Orocobre's results are reported under International Financial Reporting Standards (IFRS). This report also includes certain non-IFRS financial information, including the following:

- NCI is the non-controlling interest which represents the portion of equity ownership in SDJ PTE
- EBITDAIX is 'Earnings before interest, tax, depreciation and amortisation, impairment and foreign currency gains/(losses), share of associate losses and share of profit from joint ventures'
- EBITIX is 'Earnings before interest, tax, impairment and foreign currency gains/(losses), share of associate losses and share of profit from joint ventures'
- EBTIX is 'Earnings before tax, impairment and foreign currency gains/(losses), share of associate losses and share of profit from joint ventures'
- 'underlying NPAT' and 'underlying EBITDAIX' being statutory profit being adjusted for certain one off and non-recurring items

⁴ 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 (**Orocobre**) is a dynamic global lithium carbonate producer and an established producer of boron. Orocobre is dual listed on the Australia and Toronto Stock Exchanges (ASX: ORE), (TSX: ORL). Orocobre's interests include its Olaroz Lithium Facility in Northern Argentina, a material JORC Resource in the adjacent Cauchari Basin and Borax Argentina, an established boron minerals and refined chemicals producer. The Company has commenced an expansion at Olaroz and construction of the Naraha Lithium Hydroxide Plant in Japan. For further information, please visit www.orocobre.com.

Summary Information

The following disclaimer applies to this announcement and any information contained in it (the **Information**). The Information in this announcement is of general background and does not purport to be complete. It should be read in conjunction with Orocobre's other periodic and continuous disclosure announcements lodged with ASX Limited, which are available at www.asx.com.au. You are advised to read this disclaimer carefully before reading or making any other use of this announcement or any Information contained in this announcement. In accepting this announcement, you agree to be bound by the following terms and conditions including any modifications to them.

Forward-looking Statements

This announcement may include forward-looking statements. These forward-looking statements are based on Orocobre's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Orocobre, which could cause actual results to differ materially from such statements. Orocobre makes no undertaking to subsequently update or revise the forward-looking statements made in this announcement, to reflect the circumstances or events after the date of this announcement.

TSX matters

Orocobre is an "Eligible Interlisted Issuer" for purposes of the TSX. Orocobre has relied upon Section 602.1 of the *TSX Company Manual* in respect of the Placement on the basis that it has been completed in accordance with the standards of the ASX.