



# FULL YEAR RESULTS 2016

19 SEPTEMBER 2016



# CAUTIONARY NOTES

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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 Salinas Grandes and Cauchari projects 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, 2015 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.

# SUMMARY

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Olaroz operating EBITDAX<sup>1</sup> of US\$7.8M for May/June 2016

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Full year proportionally consolidated Group EBITDAX loss of US\$2.6 million

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Production in FY2016 of 6,903 tonnes

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July/August sales revenue of ~US\$20M on 2,118 tonnes

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Operating cash cost US\$3,555/tonne<sup>2</sup>

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Production forecast for FY2017 is >15,000 tonnes

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Expansion studies on track for target of 35,000 – 42,500 tonnes total production

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Borax Argentina was EBITDAX positive in 2H FY16

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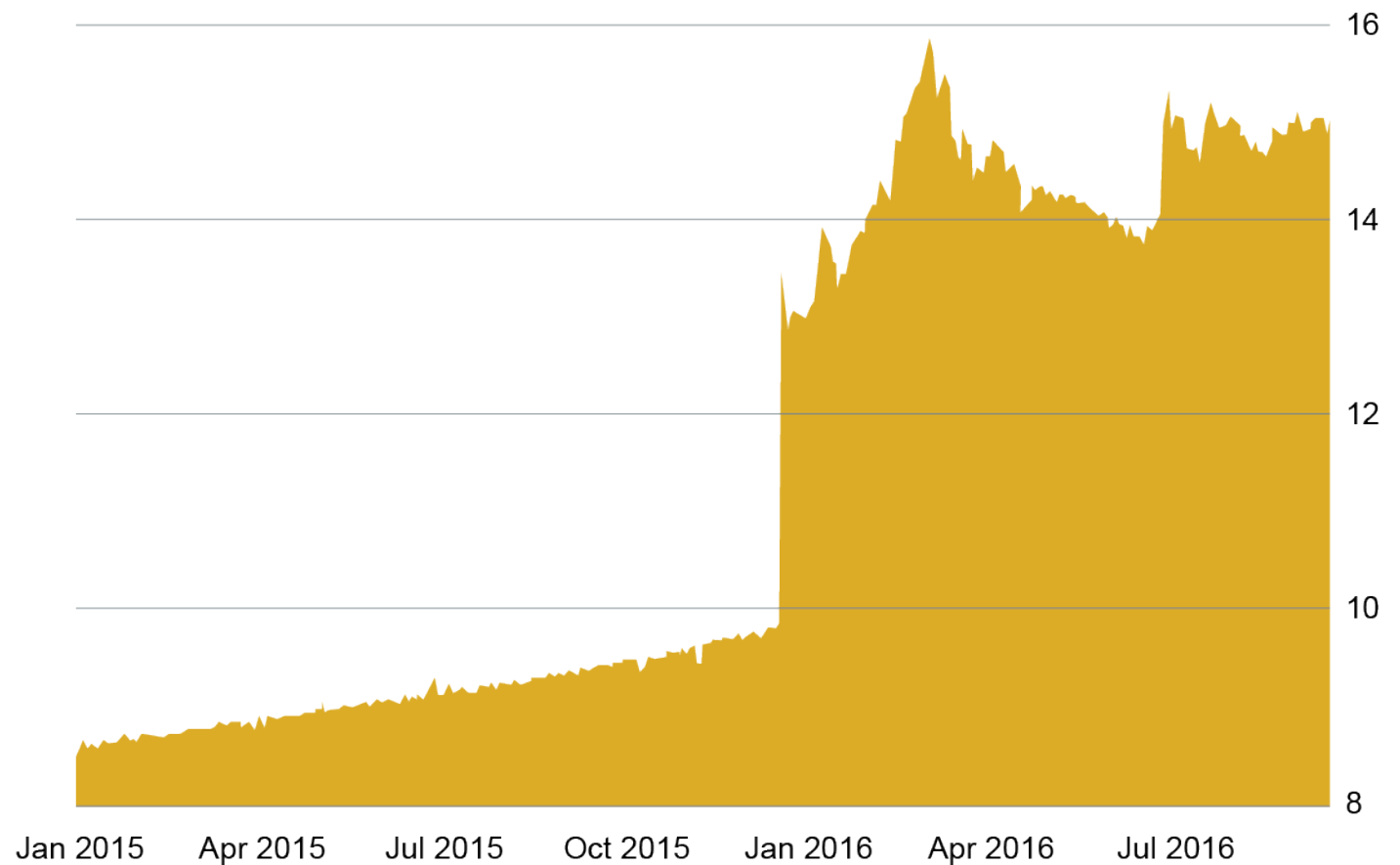


# FINANCIALS

# USD REPORTING REDUCES VOLATILITY

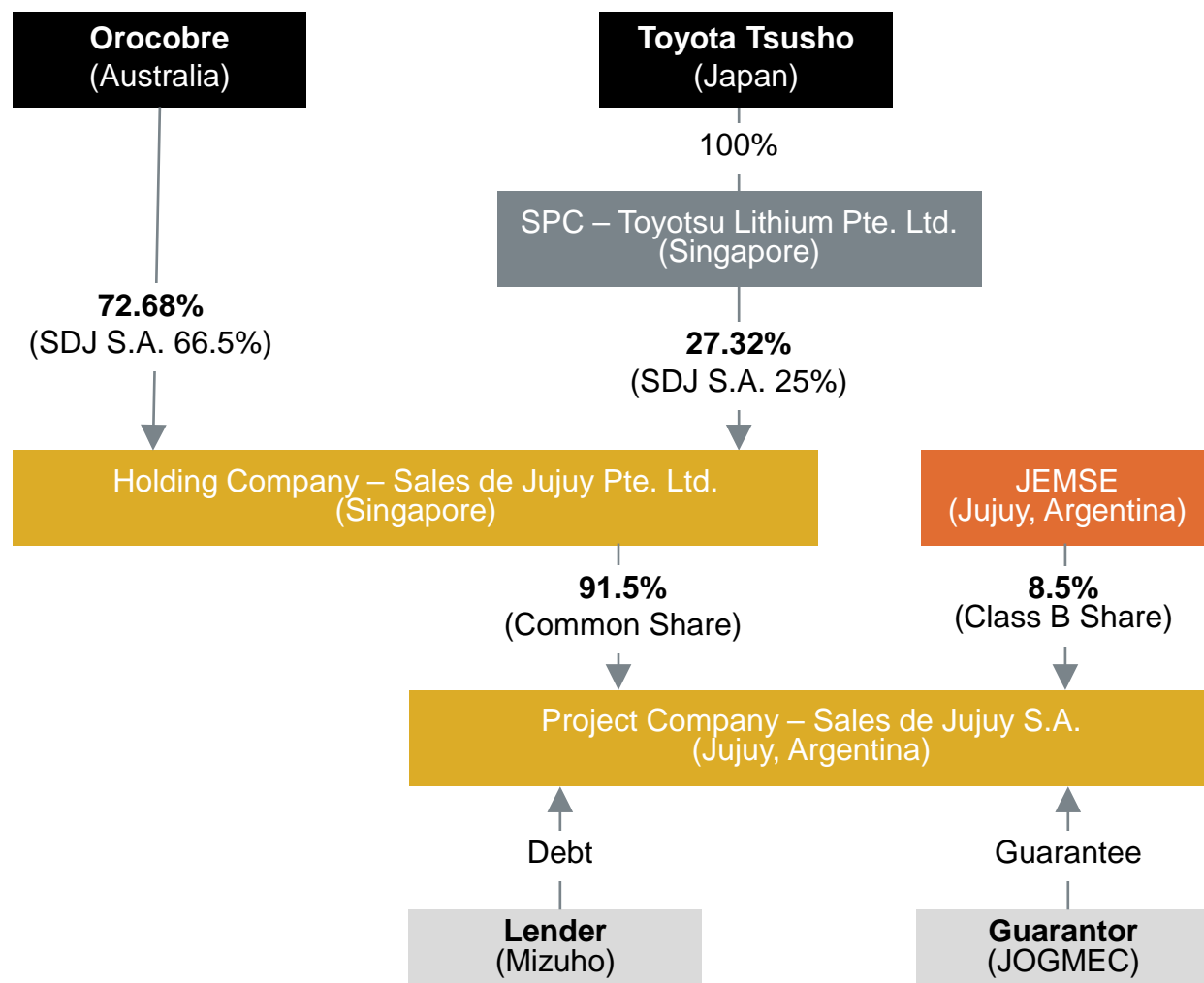
## TRIGGERS FOR A CHANGE IN FUNCTIONAL CURRENCY AT THE PROJECT COMPANY

- Sales and cash inflows are US\$ denominated
- Completion of development phase of the Olaroz operation
- Commencement of “commercial” operations of the Olaroz plant
- Stabilisation of the Argentine economy



ARS:USD exchange rate

# OLAROZ JOINT VENTURE STRUCTURE



- Group accounts are Equity accounted due to control structure of Sales de Jujuy PTE
- Proportionally consolidated accounts have been prepared to indicate contribution of underlying operations
- The Jemse interest in Sales de Jujuy S.A. and Toyotsu Lithium PTE interest in Sales de Jujuy PTE are recognised as a Non-Controlling Interests (NCI) in the following slides

# OLAROZ MOVES TO PROFITABILITY

## PROPORTIONALLY CONSOLIDATED P&L<sup>1</sup>

US\$ million					
Year ended 30 June 2016	ORE Group	SDJ PTE (100%) <sup>3</sup>	Elim of NCI <sup>2</sup> (33.5%)	Add back equity accounting of fx loss	Group Partial Consolidation
Revenue and other income	18.6	15.4	(5.2)	-	28.8
<b>EBITDAX*</b>	<b>(7.8)</b>	<b>7.8</b>	<b>(2.6)</b>	-	<b>(2.6)</b>
Less Depreciation & Amortisation	(1.7)	(0.7)	0.2	-	(2.2)
<b>EBITX**</b>	<b>(9.5)</b>	<b>7.1</b>	<b>(2.4)</b>	-	<b>(4.8)</b>
Less Interest	0.5	(1.8)	0.6	-	(0.7)
<b>EBTX***</b>	<b>(9.0)</b>	<b>5.3</b>	<b>(1.8)</b>	-	<b>(5.5)</b>
Less Foreign currency gains/(losses)	(2.6)	(27.5)	9.2	-	(20.9)
Less share of fx loss of joint venture	(18.3)	-	-	18.3	-
<b>Segment profit/(loss) before tax</b>	<b>(22.6)</b>	<b>(22.2)</b>	<b>7.4</b>	<b>18.3</b>	<b>(26.4)</b>
Income tax benefit/(expense)	0.6	5.7	(1.9)	-	4.4
<b>Profit/(loss) for the year after tax</b>	<b>(22.0)</b>	<b>(16.5)</b>	<b>5.5</b>	<b>18.3</b>	<b>(22.0)</b>

- SDJ profitable before non cash FX adjustments with EBITDAX of US\$7.8M
- SDJ sales include two months of trading following the transition to production reporting from 1 May 2016
- Sales for May/June 2016 of 2,040 tonnes lithium carbonate
- Average price received for May/June 2016 of US\$7,535/t for lithium carbonate
- Operating cash cost of US\$3,555/t for May/June 2016, excluding royalties and head office costs
- Depreciation of SDJ PTE based on Units of Production over a two month period
- FX losses of US\$18.3M relating to SDJ PTE are a “one-off” from transitioning into US\$ functional currency

\*, \*\*, \*\*\* EBITDAX, EBITX, and EBTX are non audited, non IFRS measures, refer to slide in the appendix

1 “Proportional consolidation” is a non audited presentation of the financial statements for commentary purposes

2 “NCI” is the Non Controlling Interest which represents the portion of equity ownership in the Joint Venture not attributable to Orocobre Limited

3 Difference in net profit between SDJ PTE and the Project company SDJSA only relate to interests costs eliminated of US\$16k.

# A LOOK THROUGH TO THE UNDERLYING ASSETS

	30 June 2016 (US\$ million)				
Proportionally consolidated balance sheet	Current ORE Group Consol	SDJ PTE 100% <sup>2</sup>	Eliminate ORE Group PTE related Items	Elim NCI <sup>1</sup> of PTE	Consolidated Group incl PTE
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	35.8	0.8	-	(0.3)	36.3
Trade and other receivables	7.7	19.7	(2.5)	(6.6)	18.3
Inventory	6.5	18.1	-	(6.1)	18.5
Other	-	3.5	-	(1.2)	2.3
<b>Total Current Assets</b>	<b>50.0</b>	<b>42.1</b>	<b>(2.5)</b>	<b>(14.2)</b>	<b>75.4</b>
<b>NON-CURRENT ASSETS</b>					
Financial assets	36.7	-	-	-	36.7
Property, plant and equipment	15.0	331.5	-	(96.7)	249.8
Intangible asset	-	17.3	-	(4.3)	13.0
Investment in joint ventures	35.1	-	(35.1)	-	-
Inventory	0.6	9.4	-	(2.4)	7.6
Deferred tax asset	2.1	10.9	-	(3.7)	9.3
Trade and other receivables	70.2	12.5	(61.4)	(4.2)	17.1
Other	6.2	-	-	-	6.2
<b>Total Non-Current Assets</b>	<b>165.9</b>	<b>381.6</b>	<b>(96.5)</b>	<b>(111.3)</b>	<b>339.7</b>
<b>TOTAL ASSETS</b>	<b>215.9</b>	<b>423.7</b>	<b>(99.0)</b>	<b>(125.5)</b>	<b>415.1</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	10.1	8.0	(2.5)	(2.7)	12.9
Loans and borrowings	2.0	74.2	-	(24.9)	51.3
Derivative	-	1.7	-	(0.6)	1.1
Provisions	-	7.5	-	(2.5)	5.0
Other	0.6	-	-	-	0.6
<b>Total Current Liabilities</b>	<b>12.7</b>	<b>91.4</b>	<b>(2.5)</b>	<b>(30.7)</b>	<b>70.9</b>
<b>NON-CURRENT LIABILITIES</b>					
Trade and other payables	0.7	0.7	-	(0.2)	1.2
Derivative	-	14.0	-	(4.7)	9.3
Loans and borrowings	1.0	230.9	(61.4)	(56.8)	113.7
Employee benefit liabilities	1.3	-	-	-	1.3
Deferred tax liability	1.0	17.3	-	(5.8)	12.5
Provisions	9.7	10.4	-	(3.5)	16.6
<b>Total Non-Current Liabilities</b>	<b>13.7</b>	<b>273.3</b>	<b>(61.4)</b>	<b>(71.0)</b>	<b>154.6</b>
<b>TOTAL LIABILITIES</b>	<b>26.4</b>	<b>364.7</b>	<b>(63.9)</b>	<b>(101.7)</b>	<b>225.5</b>
<b>NET ASSETS</b>	<b>189.5</b>	<b>59.0</b>	<b>(35.1)</b>	<b>(23.9)</b>	<b>189.5</b>

Cash on hand of US\$35.8M at 30 June 2016 in line with guidance provided at January's capital raising

Term deposits classified as non-current financial assets guarantee SDJ SA (SBLC)

Investment in JV carrying value has diminished due to the ARS devaluation

Elimination of US\$61.4M relates to loans from ORE to the Joint Venture

Current borrowing with domestic Argentine banks at SDJ is guaranteed with shareholder funds held offshore as SBLC's. See non-current assets above

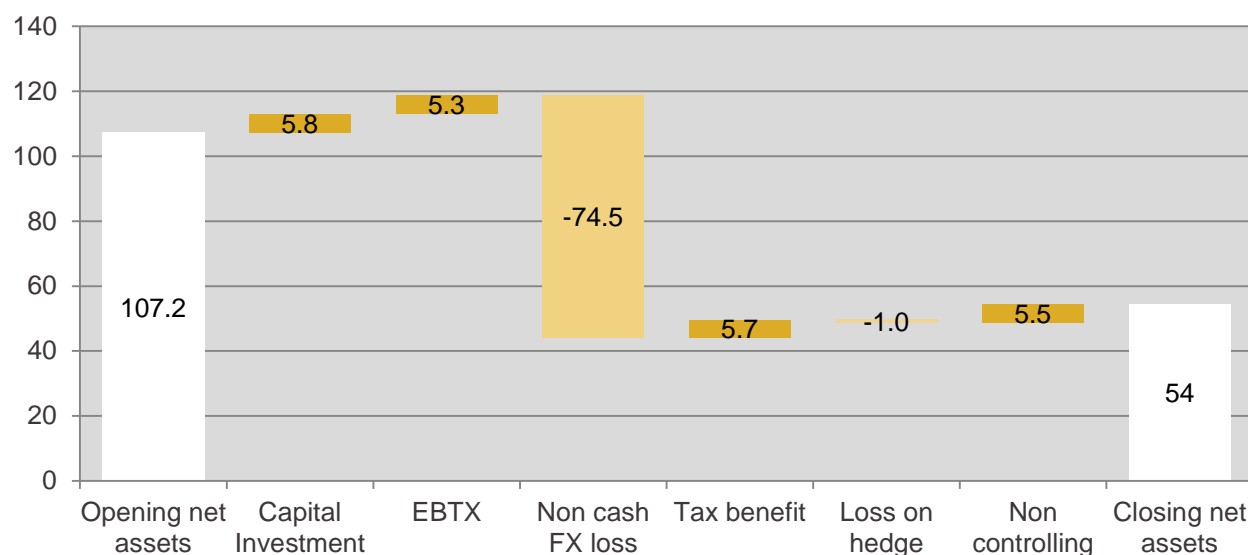
Includes long term portion of Mizuho and shareholder loans

1. "NCI" is the Non Controlling Interest which represents the portion of equity ownership in the Joint Venture not attributable to Orocobre Limited
2. Difference in net assets between SDJ PTE and the Project company SDJSA relate to the net uplift on value resulting from the Purchase Price Allocation on creation of the joint venture of US\$40M. The net uplift was allocated to Inventories, Property, Plant and Equipment, Intangible assets offset by Deferred Tax Liability.



# DEVALUATION OF THE ARGENTINE PESO AFFECTS THE ACCOUNTING CARRYING VALUE OF OLAROZ

## RECONCILIATION OF SDJ PTE ACCOUNTING VALUE AT 100% (US\$M)



	2016	2015
Reconciliation of SDJ PTE carrying amounts	US \$	US \$
Opening net assets 1 July	107,199,826	123,419,812
Capital Investment	5,768,750	1,286,250
Profit/(loss) for the period	(15,135,537)	(265,232)
Other comprehensive income	(43,881,424)	(17,241,004)
<b>Closing net assets</b>	<b>53,951,615</b>	<b>107,199,826</b>

## 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\$45M (1) (2) after carried forward tax losses of US\$240M
- SDJ SA – Books PP&E residual value at 30 June 2016 US\$ 277M (2)

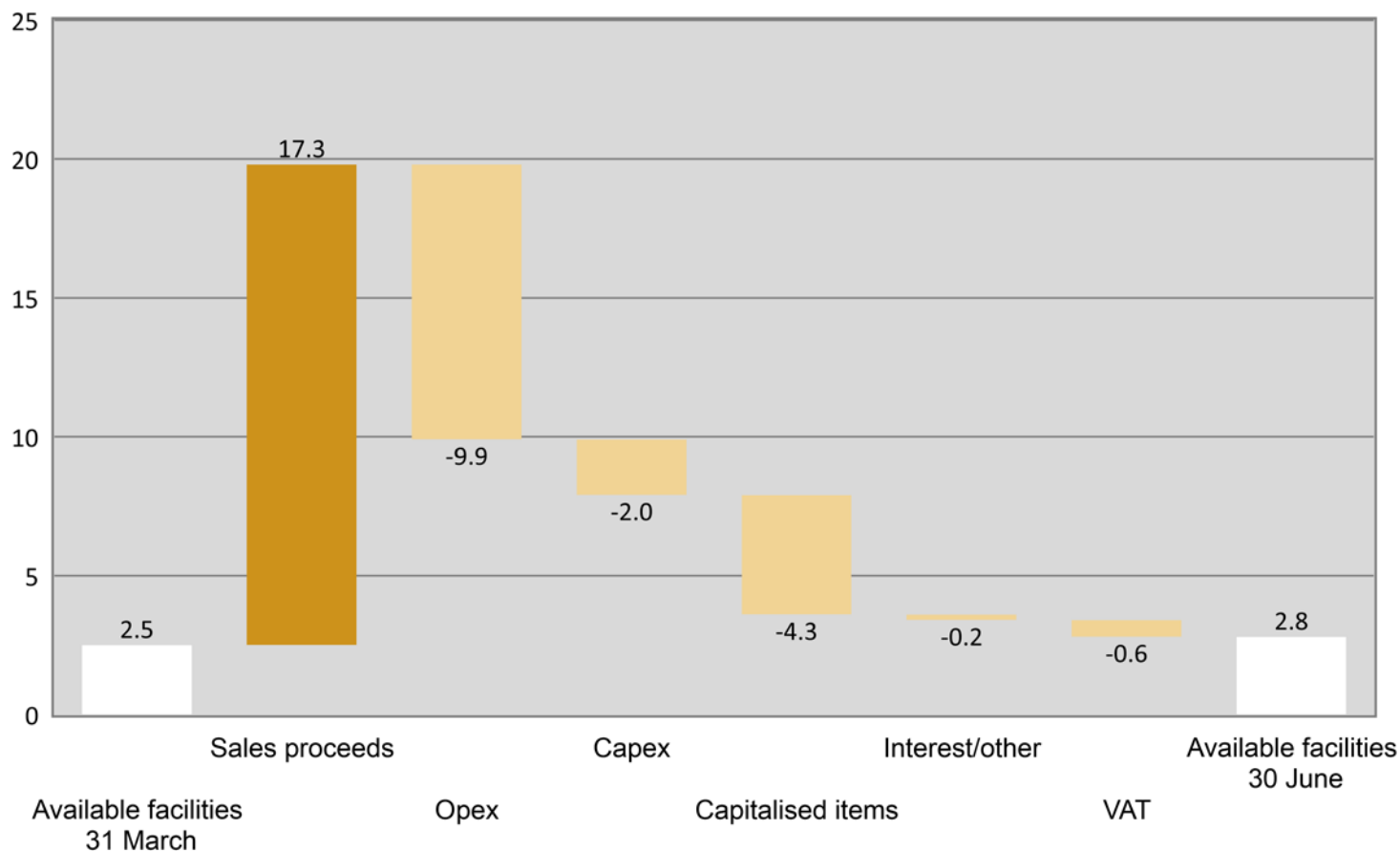
# SEGMENT REVENUE TO PROFIT BEFORE TAX

US \$million						
Year ended 30 June 2016	Corporate	SDJ PTE <sup>1</sup>	South American Salars	Borax Argentina	Eliminations	Total entity
Revenue	-	10.2	-	19.0	(0.4)	28.8
<b>EBITDAX*</b>	<b>(6.7)</b>	<b>5.2</b>	<b>(0.1)</b>	<b>(0.8)</b>	<b>(0.2)</b>	<b>(2.6)</b>
Less depreciation and amortisation	-	(0.5)	-	(1.7)	-	(2.2)
<b>EBITX**</b>	<b>(6.7)</b>	<b>4.7</b>	<b>(0.1)</b>	<b>(2.5)</b>	<b>(0.2)</b>	<b>(4.8)</b>
Less interest	3.4	(1.2)	(0.2)	(1.3)	(1.4)	(0.7)
<b>EBTX***</b>	<b>(3.3)</b>	<b>3.5</b>	<b>(0.3)</b>	<b>(3.8)</b>	<b>(1.6)</b>	<b>(5.5)</b>
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)

- Olaroz sales include two months of trading since commercial production (1 May 2016)
- On-going corporate costs expected to be US\$5M per year
- FX losses of US\$20.9M partially consolidated due to the devaluation of the ARS and AUD to the US\$ during the period
- Income tax benefit partially included the first time recognition of SDJ PTE net Deferred Tax Asset which largely originated from tax losses
- Borax total sales were down 20% on FY15 due to a change in the sales mix and Brazilian economy

# OPERATING CASH FLOW INCREASING

JUNE QUARTER CASHFLOW (US\$m)



- Increased prices in June quarter resulted in improved cash flow and cash available of US\$2.8m at the end of the quarter
- In the current quarter, SDJ SA made a payment of US\$12.8 million without support from shareholders for the Mizuho project loan principal and interest payment
- Sales receipts in September quarter are currently ~US\$20m from July and August and should increase going forward with higher production
- No requirement to raise capital

# LOANS – 100% SALES DE JUJUY S.A.

- Mizuho is first ranking debt, followed by shareholder loans
- 3 principal + interest payments now made to Mizuho (September payment of US\$12.8M)
- No additional cash has been provided to the JV since March 2016 (for part of the Mizuho loan repayment)

Loan	Lender	Currency	Principal (100% SDJ SA)	30 June 2016 balance (100% SDJ SA)	ORE share	Annual interest
<b>Project level – SDJ<sup>1</sup></b>	Mizuho Bank	US\$ (m)	191.9	<b>176.8</b>	66.5%	4.25%
<b>Loan<sup>2</sup></b>	HSBC Argentina and Macro bank Argentina	US\$ (m)	50.0	<b>48.0</b>	72.68%	3.5% - 6.7%
<b>Shareholders loans</b>	ORE / TTC	US\$ (m)	54.7	<b>54.7</b>	75%	Libor + 5%
<b>Shareholders loans</b>	ORE	US\$ (m)	18.0	<b>18.0</b>	100%	Libor + 1%
<b>Shareholders loans</b>	SDJ PTE	US\$ (m)	1.0	<b>1.0</b>	72.68%	1.67%
<b>Total</b>		US\$ (m)	315.6	<b>298.5</b>		

# US\$104 MILLION TO BE REPAID TO OROCOBRE

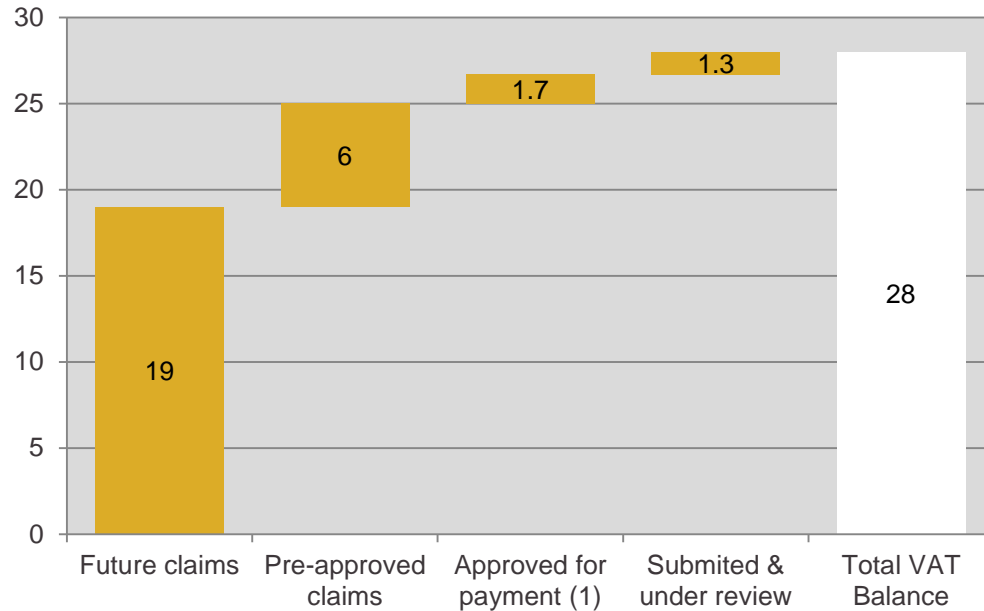
- Significant funds available for growth opportunities
- Repayments by SDJ to ORE are prioritised over dividends to JV shareholders

Loan	Borrower	Currency	30 June 2016 principal (ORE share)	Annual interest
Standby Letters of Credit	SDJ	US\$ (m)	36.7	0.5% - 0.75%
Shareholders loans	SDJ	US\$ (m)	41.0	Libor + 5%
Shareholders loans	SDJ	US\$ (m)	18.0	Libor + 1%
Shareholders loans	SDJ PTE	US\$ (m)	0.7	Libor + 0.75%
Shareholders loans <sup>1</sup>	JEMSE	US\$ (m)	7.7	N/A
Total		US\$ (m)	104.1	

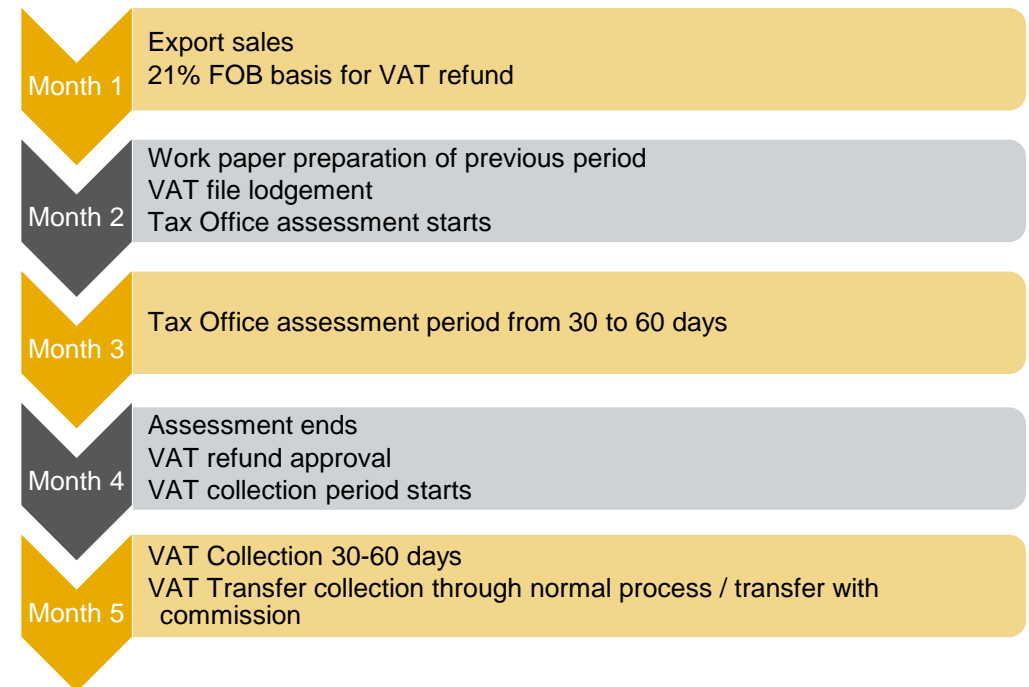


# US\$28M VAT TO BE RECOVERED BY SDJ SA

## VAT BALANCE AS AT 30 JUNE



## VAT RECOVERY PROCESS EXAMPLE



- VAT values are discounted, current book value of total VAT balance is US\$34M
- VAT claimable in a month is limited to 21% of FOB export sales
- VAT related to the current month of sales is preferentially claimed before the VAT balances related to the project construction and prior periods carried forward
- The outstanding VAT Balance is expected to be fully recovered during FY18

# OPERATIONAL PERFORMANCE

# OLAROZ PRODUCTION AND GUIDANCE

## KEY INDICATORS

Full year production  
of 6,903 tonnes

Low operating cash cost  
of US\$3,555/t

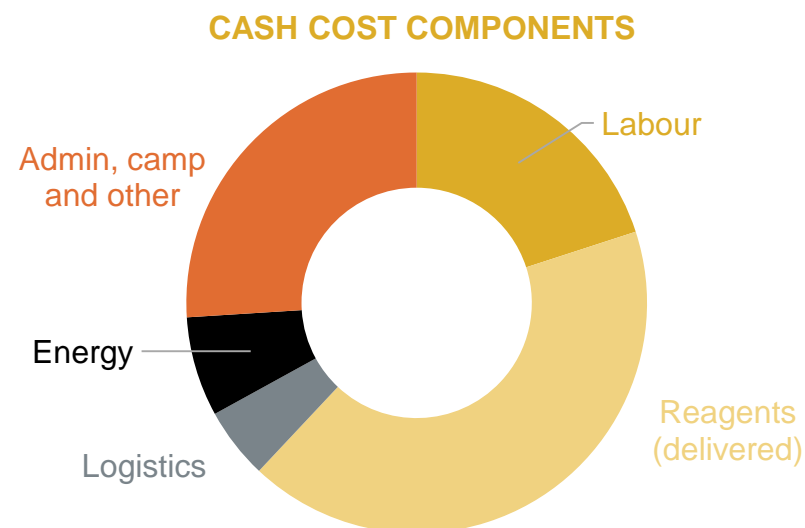
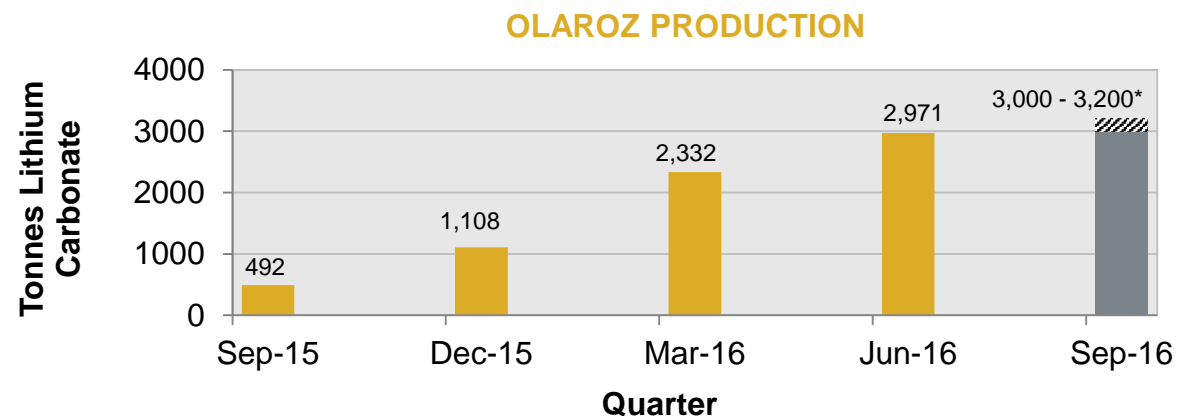
September quarter production forecast  
of 3,000–3,200 tonnes

July/August sales of ~US\$20M  
on 2,118 tonnes

December quarter production is forecast to be 3,500  
– 4,000 tonnes, FY2017 forecast of >15,000 tonnes

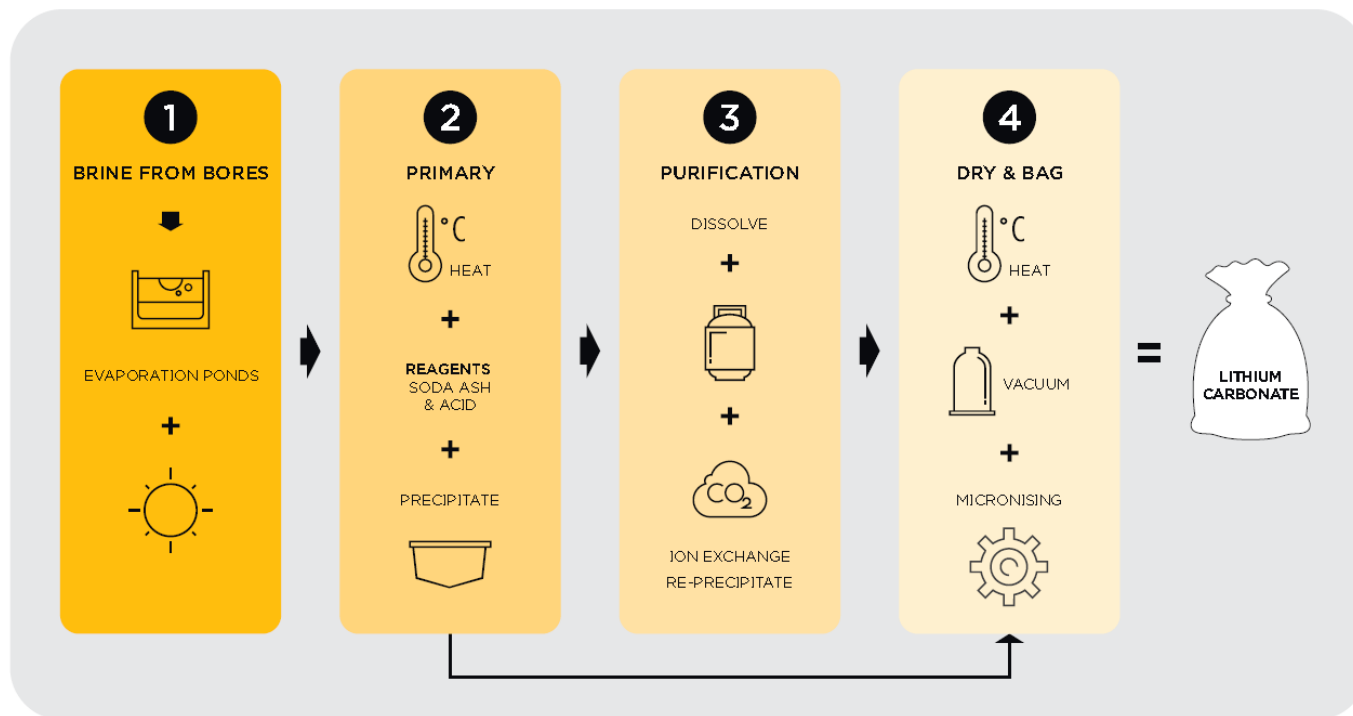
Forecast operating cash  
cost (FY18) <US\$2,500/t

Q4 2016 FOB anticipated pricing net of logistics  
and commissions ~US\$10,000





# OLAROZ OPERATIONAL IMPROVEMENTS



## PROCESS IMPROVEMENT PROJECTS COMPLETED

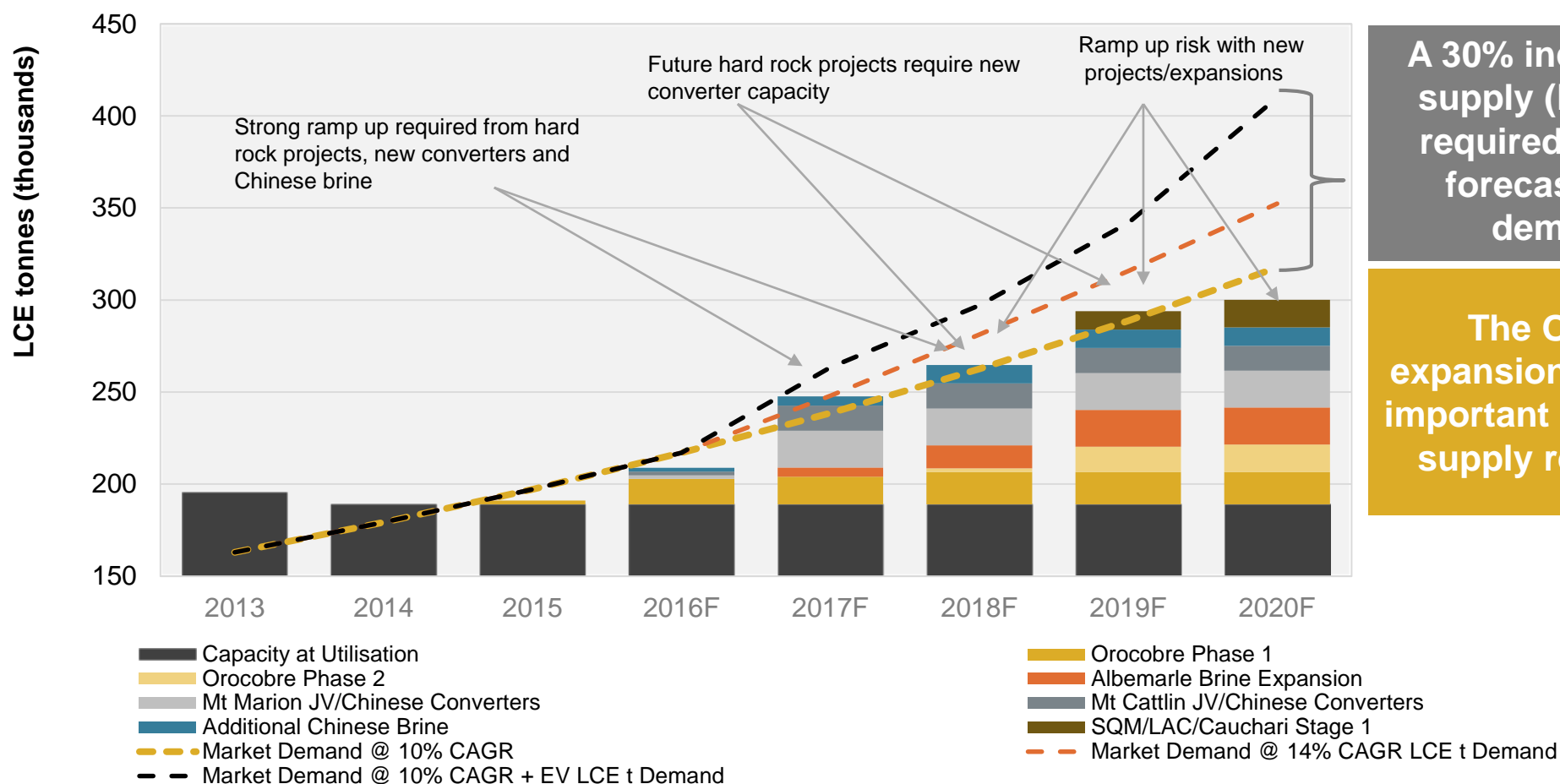
- Boiler capacity increase
- Centrifuges and polishing filters
- Heat exchangers
- Acid wash circuit/parallel pipes
- Flocculant dosing and settling ponds
- Cooling in purification circuit
- CO<sub>2</sub> injection points and diffusor design
- Cyclone bank and thickener throughput (currently underway)

## OPERATIONAL OPTIMISATION

- Operational practice
- Logistics
- Reagent usage
- Recovery

# OROCOBRE MARKET VIEW

## UNDERSUPPLY OF LITHIUM CARBONATE



Supply Notes: Rest of the world 85% utilisation, China 60% utilisation, Talison's capacity considered in line with Chinese converter plant limitations and Europe industrial market, reducing supply to third party converters and impact of new entrants. Assumed 10% mineral conversion loss  
Sources: Company websites and Orocobre estimates.

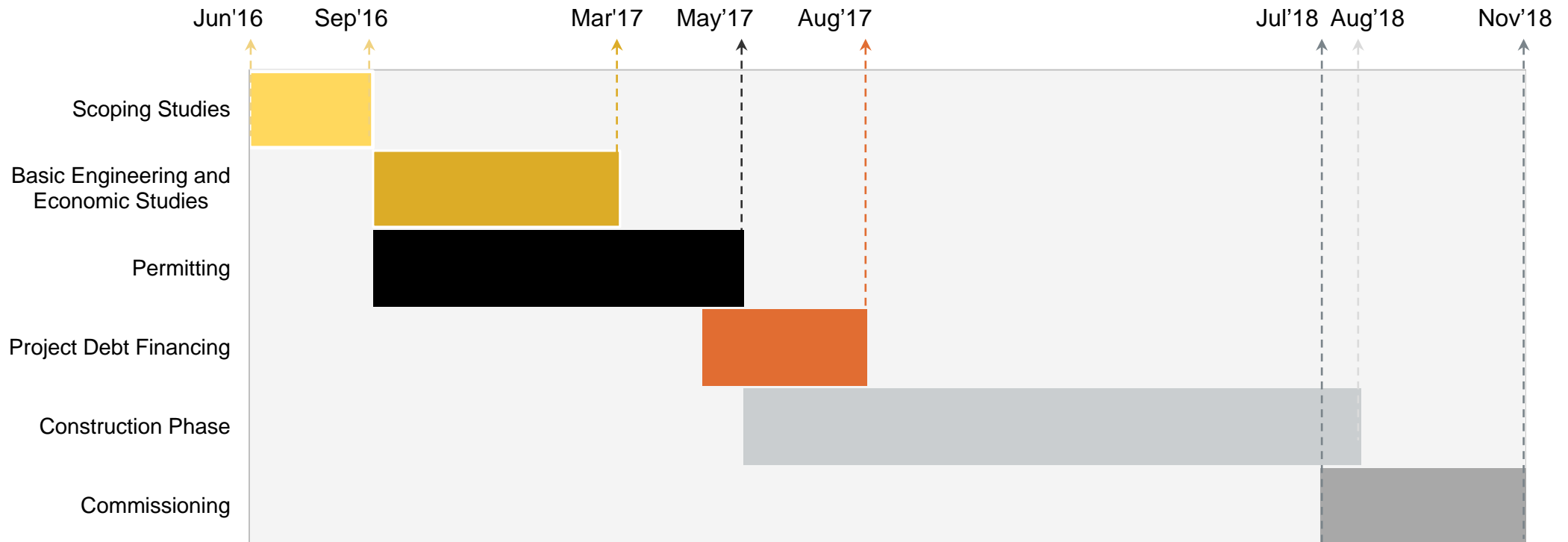
Demand Notes:  
(1) 14% CAGR  
(2) LCE Demand forecast assumes 1kg per kWh; 50 kWh per EV unit sold  
Source: EV Sales Forecasts (optimistic view) – Lux Research July 2015



# OLAROZ

## EXPANSION STAGE 2: TARGETING 35,000 – 42,500 TONNES PER ANNUM

### OLAROZ PROJECT EXPANSION TIMELINE



- Scoping study due for completion by end of September, review to follow

- Existing finance partners likely to participate in Stage 2, equity contribution expected to be met with operational cash flow

# BORAX OPERATIONAL PERFORMANCE



Like for like sales tonnes up

**4%**



Improvement in EBITDAX

**US\$1.353**



Cost of goods sold down

**24%**



Improved

**ARS**

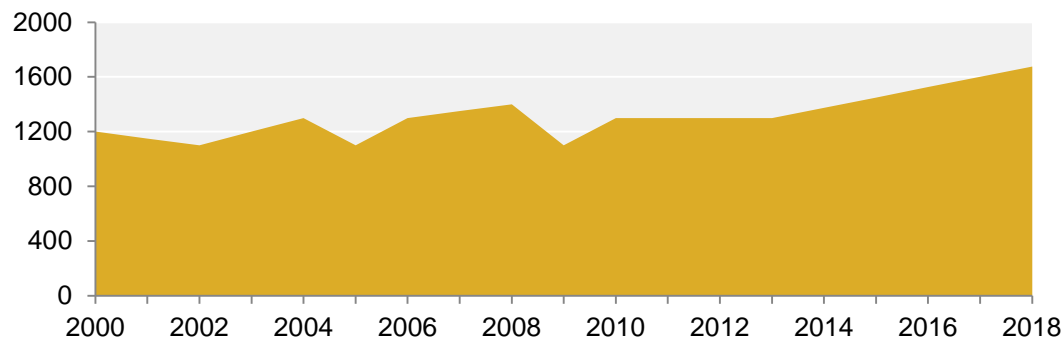
ARS:USD exchange rate drives financial improvement due to 60% of costs in ARS

- Cash flow positive despite difficult market conditions
- The key Brazilian market is showing signs of improvement in volume and price
- Tincalayu plant upgrade completed on time and materially on budget in April 2016
- Full production rate now achieved after relocation of the borax decahydrate plant to Tincalayu
- Study underway to expand production from 30,000 tpa to 100-120,000 tpa borax decahydrate equivalent at Tincalayu



# BORAX MARKETS

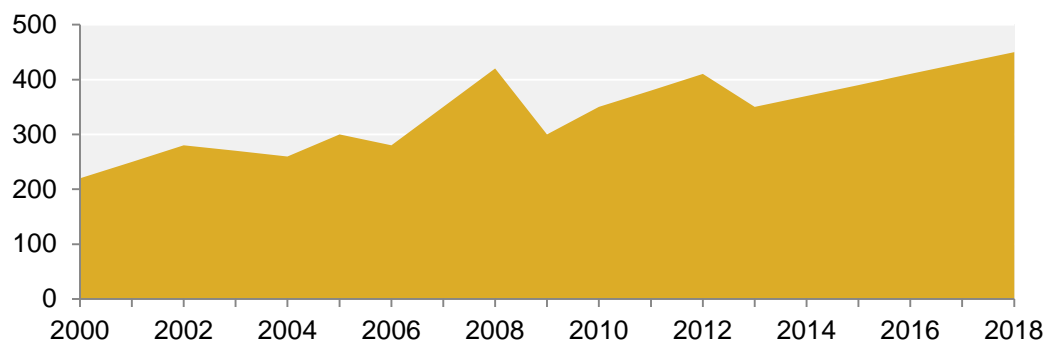
## GLOBAL REFINED BORATES DEMAND B<sub>2</sub>O<sub>3</sub> KT



## REFINED BORATES MARKET

- Overall 4.5% CAGR from 2013 to 2018
- Growth driven by Agriculture in the Americas and Asia (6%), Borosilicate Glass in China (4%)
- As the market continues to improve, Insulation Fiber Glass in the North American housing market will also stimulate growth.

## GLOBAL MINERAL BORATES DEMAND B<sub>2</sub>O<sub>3</sub> KT



## MINERAL BORATES MARKET

- Overall 4% CAGR from 2013 to 2018
- Growth driven by Agriculture (6%), Insulation Fiber Glass (4%) and Frits and Ceramics (4%)
- Minerals used in Asia for conversion to refined products and in North/South America directly in end-uses
- Fracking application is developing in North America based on ulexite

# SUMMARY

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Olaroz is a profitable, low cost, high margin producer

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Significant cash to be returned to Orocobre from loans/SBLC

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Production volume growth continues

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Lithium chemical market to remain in deficit

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Olaroz expansion study underway

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Tincalayu expansion to crystallize value in Borax Argentina

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**Set to reap the rewards in FY 2017**









# APPENDIX

# 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.
- 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.
- Net Wealth/Net Worth tax. 0.5% of equity interest in an Argentine companies.
- 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.

# NON-IFRS MEASURES

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- **EBITDA, EBITX, and EBTX** are non-IFRS financial information and have not been subject to audit by the Company's external auditor
- **EBITDAX** is 'Earnings before interest, tax, depreciation, amortisation and foreign exchange losses/gains'.
- **EBITX** is 'Earnings before interest, tax and foreign exchange losses/gains'.
- **EBTX** is 'Earnings before tax and foreign exchange losses/gains'. EBITDAX is used to measure segment performance and have been extracted from Note 24 '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.