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MORNING MEETING NOTES
SEPTEMBER 6, 2017

Recommendation: Buy
Target Price: C$5.60

Orocobre Limited (ORL-TSX & ORE-ASX)

Raising Outlook As Brine Inventory Improves

Current Price	C$3.66	Shares Outstanding (MM)	
52 Wk High	C$5.04	Basic	209.2
52 Wk Low	C$2.73	Diluted	211.4
Cash (MM)	$52	Mngt. & Dir.	24.8
Total Debt (MM)	$0	Market Cap.	C$766
NAVPS	C$3.31	Float	C$675
Price/NAV	1.10x	EV	$567

Fiscal YE Jun. 30		2017A	2018E	2019E
Lithium Carbonate	Q1	3,013	3,122	
(tonnes)	Q2	3,529	3,673	
100% Basis	Q3	2,784	3,765	
	Q4	2,536	3,443	
	FY	11,862	14,003 ↓	16,737
Realized Price ($/t LCE)		$10,678	$11,000	$12,000
Net Cash Cost ($/t LCE)		$3,738	$3,338	$3,300
EBITDA (% Olaroz) (MM $)			$65.4	$92.8
EV/EBITDA			8.98	6.26

- adjusted EBITDA for cash corporate Admin expense

Unless otherwise denoted, all figures shown in US$

Investment Thesis:

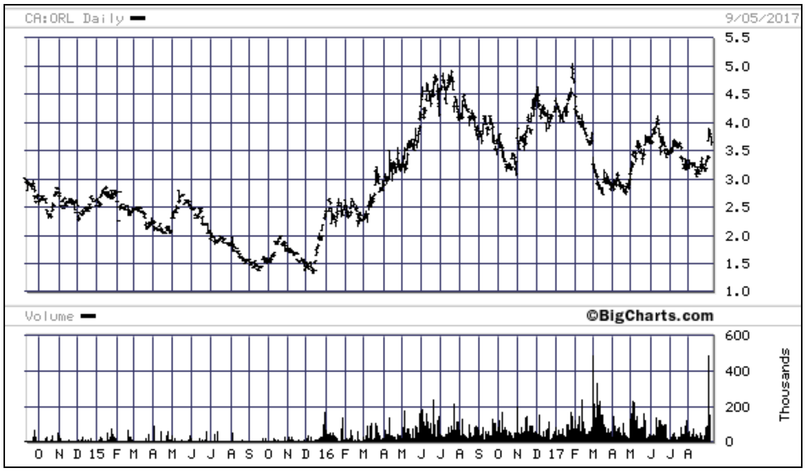
Orocobre is a lithium producer in the final stages of ramping up its low-cost Olaroz brine project in Argentina. Prior to the announcement of the issues with pond management at Olaroz, we expected that rising average pricing and declining cash operating costs would support a higher stock price as the ramp up takes hold. As confidence with inventory management increases, however, we expect investors to put more value on the expansion in Argentina and a hydroxide plant in Japan, which could be drivers of the stock. Trading at less than half the multiples of the major lithium producers on a full production basis, we have a Buy recommendation on ORL.

Highlights:

- Harvest Pond Inventory Rises
  ORL indicated that the total inventory of lithium in its ponds rose to 44,000 t LCE up from 38,300 t in July. Although we have yet to understand fully the recovery of this inventory, the changes to the pond management appear to be progressing more positively.
- Guidance Implies Modest Improvements In 2018
  With confidence in the pond management improving, ORL indicated that production should exceed 14,000 t LCE in F2018.
- Raising Target To C$5.60, Upgrading To Buy Recommendation
  The improvement in operations has taken some of the risk out of the expectations for 2018 and beyond. With demand and pricing for lithium remaining high, there is a strong backdrop for ORL to expand production. Although ORL is not the lowest cost or highest quality producer of lithium, it is trading at a low multiple relative to the majors. As a result, we have raised our target to C$5.60 from C$4.10 and upgraded our rating to Buy from Market Perform.

Company Description:

Orocobre Limited is a Brisbane-based mining company listed on the Australian and Toronto Stock Exchanges. The company owns 66.5% of a lithium production facility with a nameplate capacity of 17,500 tpa at the Salar de Olaroz in Jujuy province of Argentina, produces boric acid at a plant in Campo Quijano and refined borates at Tincalayu.



Source: BigCharts.com, September 5, 2017 (Chart C$)

Our disclosure statements are located on the second last page of this report

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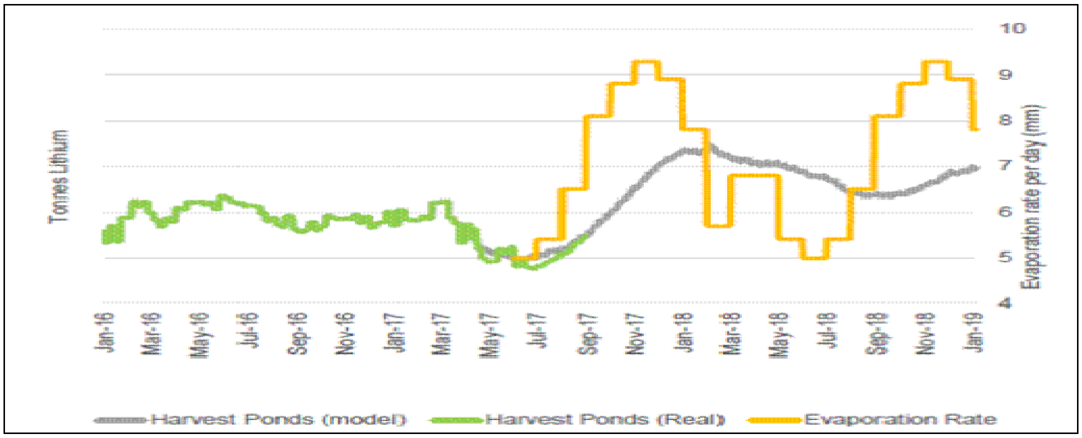
Investors reacted positively to the latest inventory update provided last week with year-end results. While the update was not completely transparent, as the model provided focuses on the harvest ponds, Management's total inventory estimate rose 15% from the lows in July. This has provided Management with more confidence in its outlook, which includes guidance of 14,000 t LCE production for F2018. For now, this appears likely to increase investor confidence. We are raising our target to C$5.60 from C$4.10 and upgraded our recommendation to Buy from Market Perform. As ORL trades at less than half the multiple of majors on an EV/EBITDA basis pro forma its share of the Olaroz facility, we believe it warrants a Buy recommendation notwithstanding the production issues, lower pricing and higher costs of production.

Brine Inventory Provides Improved Outlook For Now: In the F2017 year-end results reviewed last week, ORL's operating results took a backseat to issues regarding the brine inventory, which has been the major concern over the past six months. As we noted in late July, the brine inventory fell to a new low, reaching 38,300 t LCE, down from 39,000 t at the end of March and 40,300 t LCE at the end of December. This is now reversing.

Figure 1: Harvest Pond Inventory



Source: Orocobre Ltd

Brine Inventory Rises: As shown in the figure above, which provides the latest comparison of the brine inventory model with the actual brine measurements, brine inventory has improved off a base in early July. Although the figure provided by Management does not include the actual inventory levels in the harvest ponds, ORL indicated that the total inventory of lithium in all the ponds stands at 44,000 t LCE up 15% from the low point in July.

Actuals Tracking Model: Furthermore, the actual measurements of brine inventory appear to be tracking closely with Management's model of the inventory. Recall that work since discovering the operational issues focused on increasing the area subject to solar evaporation, installing additional pumps used to effect brine volume transfer between ponds, and introducing the new operational positions and procedures.

Early Days But Must Admit The Results Are Encouraging: As it is early days in the recovery of the inventory, there are still questions around the amount of lithium in the initial and intermediate ponds, as well as the final recoverability of the lithium that may actually now be in the ponds. As a result, although we remain cautious, we must admit the new data is at the very least interesting and should start to rebuild investor confidence.

Brief Summary Of Q4/F17 Results: For completeness, as we outlined in our note on July 21, financial results for the quarter were mixed:

- Production of lithium carbonate totaled 2,536 t LCE down from 2,784 t in the March quarter, in line with Management's revised guidance.
- Sales of 2,566 t LCE were down 18% from 3,142 t in Q3/F17, as challenging winter weather had an impact.
- Realized pricing rose 5% to $10,696/t from $10,211/t in March, with repricing of short-term contracts at higher levels, bringing as positive impact.
- The cost of production, however, rose to $4,279/t from $3,565/t in the previous quarter, as lower production volumes and lower brine concentrations resulted in reagent costs impacting the results.

Guidance For Next Year Sees Modest Improvements: In July, Management delayed providing guidance, awaiting results from the pond inventory measurements. As part of the year-end review last week, ORL provided expectations for F2018.

- Production of lithium carbonate to be 14,000 t LCE up from 11,862 t in F2017
- 45% H1/F18 and 55% H2/F18
- Mix: 1/3rd volume to be battery grade and 2/3rd technical grade
- No cost guidance was provided
- Pricing is expected to rise as contracts roll off and are repriced to reflect stronger market prices

Raising Target To C$5.60, Upgrading To Buy Recommendation: Although we remained cautious on the progress on the rebalancing, the latest results are encouraging and suggest that there is a good chance Management has put the issue of pond management behind them. Clearly it is not risk-free at this point as we have not seen the full inventory picture through all ponds nor have we seen a full year of operating with the new operating procedures in place. However, it is important to note that the lithium price remains high, demand is strong, and Orocobre is increasing its outlook. As a result, we have shifted our outlook to factor in the stronger outlook for production and pricing in F2018.

Target Goes To C$5.60 From C$4.10: We are using 8.1x EV/EBITDA less the $145 MM debt balance for ORL's 66.5% of Olaroz to arrive at a value of C$2.95 per share for ORL's operating assets. (Note that this uses our long-term pricing assumption of $9,500/t LCE and costs of $3,000/t.) Our C$5.60 target arises from adding to the operating assets 80% of the NAV per share of C$3.31 for the development assets as shown in the figure below. Our NAV includes Phase 2 expansion of Olaroz as well as the Cauchari project and the investment in Advantage Lithium. Previously we valued ORL purely on a NAV basis, which gave rise to a NAVPS of C$5.13, providing a target of C$4.10 at 80% of NAV.

With more than 50% return to our target, we are upgrading our recommendation to Buy from Market Perform. We note that there is still considerable risk to achieving our estimates because of the crucial improvement to the pond operation that is still being proven out.

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Figure 2: NAV Valuation

Development Assets	Ownership	Discount Rate	$MM	$/Share
Salar de Olaroz				
Salar de Olaroz Phase 2	66.5%	11.0%	$273	$1.30
Borax Argentina SA	100%	8.0%	$120	$0.57
Cauchari	25.0%	15.0%	$48	$0.23
Advantage Lithium	35%		$28	$0.13
Total Mining Assets			**$469**	**$2.24**
Cash and Cash Equivalents			$52	$0.25
Debt				$-
Total Financial Assets			**$52**	**$0.25**
Net Asset Value For Development Assets (US$)			$520	$2.49
Net Asset Value For Development Assets (C$)			**$694**	**C$3.31**

Source: Cormark Securities Inc.

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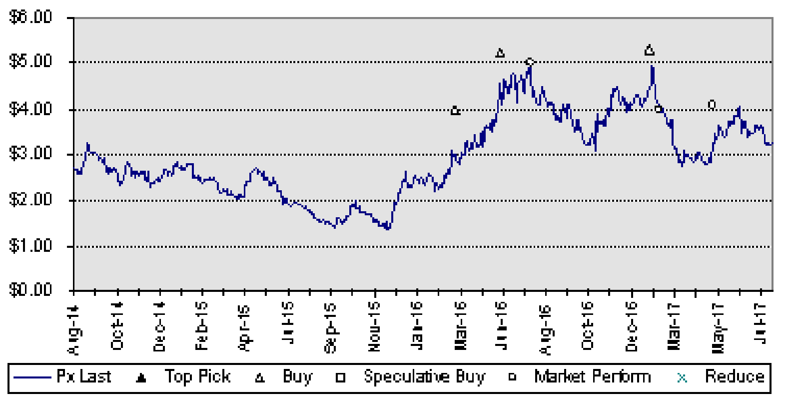
Orocobre Limited

Price Chart and Disclosure Statement

Updated September 05, 2017

*Information updated monthly on or about the 5th of each month.



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Market Perform	16%
Reduce	1%
Not Rated	17%

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Buy or Top Pick	50%
Market Perform	27%
Reduce	33%

Recommendation / Target Chg

Date	C$
28-Apr-17	4.10 (MP)
03-Feb-17	4.00 (MP)
19-Jan-17	5.30 (B)
19-Jan-17	5.30 (Chng Cover)
04-Nov-16	- (U.R.)
20-Jul-16	5.00 (MP)
31-May-16	5.25 (B)
23-Mar-16	4.00 (B)
23-Mar-16	4.00 (Chng Cover)

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If YES
1) Is it a long and/or short position?
2) What type of security is it?

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Market Perform	expected to perform with its peer group
Reduce	expected to underperform its peer group

Our ratings may be followed by "(S)" which denotes that the investment is *speculative* and has a higher degree of risk associated with it.

Additionally, our target prices are set based on a 12-month investment horizon.