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TOUGH YEAR FOR LITHIUM MINERS

Company/ASX Code	**Orocobre (ORE)**
AGM date	**Friday 13 November 2020**
Time and location	10.30am (Brisbane time); https://web.lumiagm.com/381516755
Registry	Computershare
Webcast	Yes
Poll or show of hands	Poll
Monitor	Mike Sackett assisted by Lee Sackett
Pre AGM Meeting?	Yes with Chair, Rob Hubbard and Andrew Barber, Chief Investor Relations Officer

An individual involved in the preparation of this voting intention has a shareholding in this company.

Items 1, 2	**Consideration of accounts and reports**
ASA Vote	No vote required

Summary of ASA Position

This is the first year ASA has monitored Orocobre (ORE).

<u>Governance and culture</u>

ORE is a truly international lithium and borax producer headquartered in Brisbane, where it has fewer than 10 staff. The company is quoted on both the ASX and the Toronto Stock Exchange. Its Olaroz Lithium Facility is located in the High Andes of north-west Argentina, where it has joint ventures with the local government authority and with the Toyota Tsusho Corporation (TTC), which acts as ORE's exclusive sales agent. Overall ORE has a 66.5% ownership stake in Olaroz, TTC has 25%, while the provincial government holds the balance of 8.5%.

ORE's board of 8 members appears well-qualified and comprises four Australians, three Argentinians and a representative of the Japanese company, TTC. Board member Richard Seville was CEO for 12 years until January 2019 when he stepped down and became a non-executive director. Currently ORE only has one female director, but the selection process for a second female director is apparently well advanced.

ORE describes itself as a young, fast-growing company. It has a genuine concern for sustainability issues. Interestingly, its 2020 annual report contains more than five pages of risk management analysis, compared with one page in 2019. Happily, this coincides with ASA's increased focus on risk management this year.

Financial performance

As an early stage company, ORE has never paid a dividend. It made an inaugural profit of US$1.9m in 2018, which vastly improved to $54.6m in 2019. However, in 2020 this fell to a loss of US$67.1m, due principally to the collapse in the global price of lithium. Production peaked in 2019 at 12,605 tonnes, or roughly 4% of global demand, and fell to 11,922 tonnes in 2020, due to mandatory COVID-19 closure of operations in March/April. The realised lithium carbonate price has fallen from US$12,578/tonne in 2018, to US$10,322 in 2019 and further to US $5,520 in 2020. In the final quarter of 2020 the realised price had fallen to an average of only US$3,913/ tonne and at the time of writing there was no sign of a recovery.

The on-going weak pricing for lithium results from persistent over-supply in the global market, exacerbated by reduced manufacturing of electric vehicles and batteries due in part to COVID-restrictions. In the medium to long term it is expected that lithium prices will recover, assisted by Government subsidies and incentives to promote electric vehicles.

Faced with the collapse in the price of its main product, ORE has embarked on a cost cutting campaign with some success. By the final quarter of 2020, cost of sales per tonne had been reduced to US$3,920/tonne, a reduction of 13% from the corresponding quarter in 2019, but notably still above the prevailing realised price for lithium.

While outside its control, the dismal pricing situation has impacted significantly on the ORE share price. From a peak of around $7.20 in January 2018 the share price had fallen to $2.31 by 30 June 2020, a reduction of 68%.

Key events

ORE has two significant initiatives underway. Work on Stage 2 of Olaroz which is planned to add around 25,000 tonnes of annual lithium carbonate output, was 40% complete by June 2020. At the same time work on the joint venture (with TTC) Naraha battery grade lithium hydroxide plant in Japan was 70% complete.

Summary

(As at FYE)	**2020**	**2019**	**2018**	**2017**	**2016**
NPAT ($m)	-67.1	65.4	1.9	19.4	-58.1
UPAT ($m)	-67.1	65.4	1.9	19.4	-58.1
Share price ($)	2.31	2.82	5.17	3.47	4.79
Dividend (cents)	0	0	0	0	0
TSR (%)	-18%	-45%	49%	-28%	128%
EPS (US cents)	-19.6	20.9	0.8	9.2	-11.9
CEO total remuneration, actual (US$m)	1.225	2.013	1.124	0.812	0.496

Note: Above currencies are Australian dollars except where indicated.

Item 3a	Re-election of Robert Hubbard as a Director
ASA Vote	For

Summary of ASA Position

Hubbard has a background in accounting and audit, and was appointed a director in November 2012, and as chair in July 2016. He is also chair of health company Healius and a non-executive director of Bendigo Bank. At our pre-AGM meeting he was welcoming and constructive.

Item 3b	Re-election of Masaharu Katayama as a Director
ASA Vote	For

Summary of ASA Position

Katayama was appointed director in April 2018 when TTC took a stake in ORE and became entitled to appoint one director to the board. His background is in mechanical engineering and international resource development. As an individual Katayama owns no ORE shares, although TTC ranks as the second largest shareholder.

Item 4a Item 4b	Approval of STI grant to CEO/Managing Director Martin Perez de Solay Approval of LTI grant to CEO/Managing Director Martin Perez de Solay
ASA Vote	For

Summary of ASA Position

The CEO was appointed in January 2019 and in FY 2019 received only fixed remuneration of US$445,269. Consideration of granting STI rights was deferred until the first anniversary of his appointment in January 2020 when 80% of target was considered to have been achieved and a cash payment was made. For the period January - June 2020, average STI achievement was assessed to be 75%. Given ORE's loss for the year and the depressed share price, that was reduced by 20% and payment terms were changed from cash to rights vesting on 1 July 2021. Total STI income received by the CEO in 2020 was therefore US$275,000.

The maximum potential 2020 LTI for the CEO is US$450,000 subject to meeting absolute and relative (to the ASX 300 Resources Index) TSR hurdles. In total 'at risk' remuneration components comprise potentially 24% STIs and 30% LTIs

Item 5a Item 5b	Ratification of shares issued to acquire Advantage Lithium Corporation Ratification of placement shares
ASA Vote	For

Summary of ASA Position

At the beginning of FY2020 ORE had 261.7m shares on issue. In April 2020 the company issued a further 15.1m shares to the shareholders of Advantage Lithium Corporation to acquire all its issued shares not already owned by ORE. That increased ORE's stake in the Cauchari lithium project, which lies adjacent to the southern boundary of its existing Olaroz facility, from 25% to 100%. Effectively this doubles ORE's lithium resource base. ASA supports the ratification of this share issue which is considered to be in the long-term interests of ORE and its shareholders.

In August/September 2020 announced an institutional placement of 50.0m shares at $2.52 raising $126m to fund the completion of the Olaroz Stage 2 expansion, ensure the financial welfare of Olaroz Stage 1 in relation to COVID constraints and low prices for lithium, and provide capital for future growth initiatives. In addition a $30m Share Purchase Plan was offered to retail shareholders priced at the lowest of:

- the institutional price;
- a 2% discount to VWAP of shares traded over the five days to closing date;
- a 2% discount to VWAP of shares traded on the closing date.

The SPP was over-subscribed leading to the issue of 17m new shares. In practice the institutional price applied. However, the potential for retail investors to access shares at a more favourable price is appreciated given the volatility of the market in general and the ORE share price in particular. The allocation of shares to retail investors approximated to their existing proportion.

ASA supports the ratification of 24.1m shares issued pursuant to the company's 15% annual placement capacity, the objectives of which are considered to be in the long-term interests of the company and its shareholders.

Item 6	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

CEO rem. Framework 2020	Target US$m	% of Total	Max. Opportunity US$m	% of Total
Fixed Remuneration	0.700	46%	0.700	46%
STI - Cash	0.187	12%	0.187	12%
STI - Equity	0.187	12%	0.187	12%
LTI	0.450	30%	0.450	30%
Total	1.525	100.0%	1.525	100%

The report gives a clear account of FY2020 take home pay for the CEO and the CFO together with the NEDs. Remuneration levels are relatively modest and there is a reasonable proportion of salary 'at risk' and paid in the form of performance rights.

The CEO is an Argentine national, resident in Argentina, so it is not inappropriate that his contract remuneration is expressed in US dollars. Having only taken up his appointment in January 2019 his remuneration for the first six months was exclusively fixed. STI payments did not kick in until the first anniversary of appointment. STI awards were reduced by 20% in the second half of FY2020 to reflect the disappointing earnings outcome and share price, which were impacted by a range of factors including COVID. Payments in the last period were changed from cash to performance rights vesting on 1 July 2021, with rights issued at market prices.

STI goals in FY20 were modified in mid-year to differentiate between pre- and post-COVID conditions. Safety, product quality, productivity and cost reduction, and strategic growth initiatives were common elements of FY2020 STI goals. COVID bio-security, a critical issue in a high altitude operating environment where respiratory disease is especially threatening, was included in the safety goals for the second part of the year, when the safety weighting was increased from 20 to 30%. There was a similar proportionate increase in the weighting of productivity and cost reduction, which was clearly a vital goal given the savage decline in realised lithium prices. Overall CEO achievement was rated as 80% of maximum target in the first half, and 75% in the COVID-challenged second half.

Regarding LTI remuneration the performance period is three years, falling short of ASA's preferred 4-5 year period. Performance conditions relate exclusively to TSR with half of LTI grant being dependent on absolute annual TSR achievement (100% vesting with a TSR greater than 12.5% TSR, 75% for greater than 10% TSR, 50% for greater than 7.5% TSR, and zero for a TSR less than 7.5%), and the other half being granted for ORE's performance relative to the ASX300 Resources Index. Market value is used to determine the number of performance rights granted.