

INVITATION

FOR THE SELECTION OF SPECIALIZED PRODUCERS TO DEVELOP LITHIUM VALUE ADDED PROJECTS IN CHILE



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COMITÉCORFO

LITHIUM VALUE ADDED PROJECTS DEVELOPMENT IN CHILE

Opportunity for the establishment and development in Chile of lithium specialized

The Chilean Economic Development Agency CORFO, is a governmental agency that foster innovation and entrepreneurship to improve competitiveness and the productive diversification of the country, together with InvestChile, also a governmental agency focused in promoting foreign investment in Chile, invite companies around the world to express interest on allocating investment in Chile to produce value added products which uses Chilean Rockwood Litio Limitada production as supply.

CORFO and InvestChile seek one or more national and/or international companies which by their own or through association as consortium, joint ventures or another kind of partnership, have the experience, technical capabilities and financial solidity to afford investments and production estimated within their proposed projects. Consortiums, joint ventures and any other association shall designate one person responsible to interact with CORFO.

CORFO and InvestChile are offering the opportunity to have a long term lithium supply at favorable market prices, from the Salar de Atacama brines.

1. - BACKGROUND.

Given the public interest for the lithium industry, CORFO has conducted several actions to promote its growth while setting up the grounds for a value added lithium industry in the country. These efforts aim in maintaining the national leadership and competitiveness in lithium production.

During the year 2015 Chile exported 302 million dollars in lithium products, while in 2016 shipments summed 589 million dollars, hence nearly doubling lithium exports over one year. In 2016 Chilean lithium exports represented the 40% of the worldwide production by volume (~79.500 Tons LCE).

It is also important to note, the comparative advantages of the Salar de Atacama; high concentration of lithium in the brine and high rate of evaporation, together with the co-production of potassium salts, allow to reach lower production costs.

The growing market for electric cars and hybrid vehicles, that has led to a significant increase in the projection of the lithium-ion batteries demand for the next 15-20 years, as well as the new global trends that aim to favoring and promote the incorporation and use of non-conventional renewable energies, whose intermittency makes necessary the incorporation of technology that regulates the frequency of electrical systems, will generate a gap between offer and demand. In this scenario Chile is interested in taking a main role by increasing production of lithium carbonate and hydroxide, but at the same time, advancing forward in the value added lithium chain.

In its pursue to position Chile in the value added lithium chain, CORFO has signed an amendment to its lithium brine extraction contract (*Convenio Básico*) with Rockwood Litio Limitada (RLL) which supports the operation of the company in the Salar de Atacama. The amendment goes in full consideration and support of the "*Política Nacional del Litio y de Gobernanza de los Salares*" (National Lithium Policy and Salt Flats Governance) document emitted by the State of Chile consisting in a set of recommendations for local lithium production and salt flat management. The amendment signed with RLL set the grounds to foster R&D and national production of value added lithium products

by providing a long term lithium at a best market price, in order to promote global electric mobility and Chile's insertion into solar energy market by taking advantage of high solar radiation in Atacama Desert.

2.- ROCKWOOD LITIO LTDA. AND CORFO AGREEMENT – supply and favorable price for value added products.

The “*Anexo Convenio Básico*” document signed by Rockwood Litio Limitada and its partners, Rockwood Lithium Inc. and Foote Minera e Inversiones Limitada, and CORFO states the followings in forth provision:

Preferable lithium prices. RLL is obliged for as long as the *Convenio Básico* operates and prior to CORFO's approval, to sell its lithium production at the lowest exportation market price (FOB Chile) of the last six months (“*Obligación de Precio más Favorable*”, “most favorable price obligation”) to value added lithium producers (public or private corporations) which among others, elaborate products as lithium cathodes, ion-lithium battery components or lithium salts in Chile (“*Productores Especializados Establecidos en Chile*”, “Local Specialized Producers”, “LSP”).

By Local Specialized Producers (LSP) it will be considered companies established in Chile which have developed or acquired technologies to produce lithium value added products such as the ones already listed or others. Therefore, no LSP will be allowed to produce from RLL lithium supply products such as lithium carbonate, hydroxide and or chlorine in any of its grades.

The obligation acquired by RLL will not exceed, at the moment of signed its contract with the LSP's, the 15% of RLL's local annual theoretical production stated in annex VII of *Anexo Convenio Básico*. Once the 15% recently mentioned is fully allocated to LSP's, then that percentage of the local annual theoretical production will be increased in 2.5% year on year until reaching the 25%. To make this obligation functional, CORFO shall designate either one or more LSP with one year in advanced to the beginning of supply by RLL.

The “*Convenio Básico*” preferable lithium prices gives two essential benefits to the LSP companies. Firstly, grants long term lithium supply for 27 years approximately, and secondly, granting a preferable lithium supply price for the same term. The lithium volume to be distributed to one or more LSP starts at roughly 6,700 lithium carbonate tons and increases to become stable at roughly 16,000 lithium carbonate tons by 2023 and until the “*Convenio Básico*” expires on Jan 1st 2044.

3.- THE OPPORTUNITY

- Chance to ensure a long term lithium supply at preferable market prices versus any other world supplier.
- Chile as a world leader lithium producer, is a trust partner concerning long term supply to customers in industries such as EV cars that are buying from producers in Chile, thus giving a better position to close long term supplying business agreements.
- Investments made in Chile are located in one of the richest countries in lithium reserves worldwide, with mayor lithium projects going on and others in studies stages conducted by as example by CODELCO.
- Chile is the emergent economy best evaluated in Latin American and worldwide. Giving security to foreign investors by track records of stability, transparency, competitiveness and excellent business projections, which accounts for the best choice to allocate investments in Latin America, and one of the most desirable countries worldwide (InvestChile 2017).
- The State of Chile fosters foreign investments based on advanced technologies.

- This opportunity is aligned with the “*Política Nacional del Litio y de Gobernanza de los Salares*”, document published by the State of Chile by the Mining Ministry. The State of Chile through the “*Comité de Desarrollo de la Industria de la Energía Solar*” (Solar Energy Development Committee) is currently building the solar neighborhood called “*Distrito Tecnológico Solar*”, located at the center of the Atacama Region in order to develop solar energy that could use lithium value added products to stabilized energy production throughout day and night. This initiative aims to create an industrial complex based on symbiotic concepts favoring the allocation of green manufacturing enterprises which needs low CO2 emission traceability.

4.- CONFIDENTIALITY.

CORFO will adopt all actions to safeguard the confidentiality of the information provided by the companies applying throughout the whole selection process, especially related to undisclosed information or information with private economic or commercial concerns.

The preceding is without considering the information CORFO shall give to its inspectors or Control Organ, or in complying to resolutions or decisions taken by other Governmental entities with power to enforce it by law (N°20.285 or another), or in compliance to procedures from Courts of Justices.

5.- LOCAL SPECIALIZED PRODUCERS SELECTION PROCESS.

Selection process of companies which Rockwood Litio Ltda. will supply lithium products at preferable prices will be an open selection process to all companies interested, who shall comply the qualification criteria as states below and whose projects being favorable to the value added lithium products development. The process stages are the following:

A) Applying process:

Companies worldwide are invited to express interest in this process by submitting a “Letter of Interest”, with all documents required in Appendix N°1 “Letter of Interest Subjects” attached, and must be subscribed as stated in the same appendix.

CORFO will conduct a roadshow during May 2017, location and exact date will be published in CORFO’s webpage, www.corfo.cl. The objective of this instance is to clarify terms and conditions of the selection process, as well as providing information on the framework in which this process takes place. Attending to this roadshow is not mandatory and companies not attending are still invited to apply.

Companies can submit questions about this process via email to: lithiumprojects@corfo.cl cc: lithiumprojects@investchile.gob.cl. Every week on its first working day questions and its answers will be uploaded to CORFO’s webpage, not stating the name of the company or person who is asking. The timeframe for Q&A is up to May 26th 2017, being the last answers uploaded by May 29th 2017.

Letters of interest shall be in CORFO’s possession by June 30th 2017, both digital and hard copy, as it is indicated in the Appendix N ° 1 “Letter of Interest Subjects”.

Only letters of interest that comply with all requirements and have all the required information attached, will go to the prequalification process.

B) Prequalification:

A prequalification process will be performed, in order to select a group of companies that offered value added lithium products with an attractive market to be manufactured in Chile and who shall demonstrate relevant technical expertise and experience as well as being financially strong.

The Letters of Interest and attached information will be evaluated by a designated Evaluation Committee which will have the eligibility criteria as guide. Clarifications and supplementary data may be required to the companies by the email address informed in their Letter of Interest, notwithstanding every additional information could not modify the apply terms or the proposed interest area.

The Evaluation Committee by at least three members designated by CORFO's Executive Vicepresident, and himself if it's determined.

Eligibility criteria:

Key variables to be asses during the prequalification phase and that are to be included in the Letter of Interest are stated below. In case of consortiums, joint ventures or other kind of associations the criteria will apply to the group as a whole:

i) Focus

- Sophistication of the value added products proposed to develop and manufacture in Chile.
- Company integration within the lithium value chain in high growth industries.

ii) Technological capabilities

Proving to have developed or acquired the technology necessary to develop the proposed project and value added products.

iii) Market experience

Proven experience and renown within the industry in developing and manufacturing value added lithium products.

iv) Environmental concerns

Clean and proven track records concerning the environmental, security, health and community cooperation in their past and present projects.

v) Financial capabilities

Show strong financial capabilities to afford the necessary investments.

The evaluation committee will submit their recommendations to CORFO's Executive Vicepresident, who will signed an administrative act. This document will individualized the prequalified companies as "Local Specialized Producers", which could allow them to access lithium supply at preferable prices. The information to the companies will be sent by an administrative act notifying the prequalified companies, which from that moment will have 90 days to submit the project profile "Local Specialized Lithium Producer Investment Project".

C) Project enhancement process:

This process will initiate once the "Local Specialized Lithium Producer Investment Project" is submitted and will be framed by the specific rules informed together with the prequalification administrative act in which companies will be identified as prequalified. Specific rules for the project enhancement process phase including dates, activities, requirements, evaluation criteria, as well as the official communication channel between CORFO and prequalified companies, will be informed with the prequalified administrative act.

The new document to be submitted by prequalified companies will be labeled "Local Specialized Lithium Producer Investment Project" and shall comply with FEL-1 project methodology. CORFO and InvestChile, with the "Comité de Minería No Metálica de CORFO" collaboration, may interact with prequalified companies giving recommendation to enhance each project proposal.

Investment projects will be evaluated by an Evaluation Committee using the criteria indicated in the next paragraph, and from that committee evaluation input, CORFO will determine which companies could use the preferable lithium prices benefit. For that purposes, the assessing will focus on economic and technical aspects such as: compromised capex, local involvement, production complexity of the value added products and projected sell volumes, as well as formal presentation. CORFO and InvestChile will give special attention to projects considering local development of advanced human capital and participation in local R&D projects. CORFO reserves the right to refuse any Letter of Interest or company applying to this process, because it does not comply with contest rules, and to modify dates and other process aspects, until the applying phase is concluded, as well as pause or conclude the process at any time by well founded reasons.

6.- DATES.

i) For applying phase:
Q&A until May 26th 2017.

Letter of Interest for prequalification process must be submitted by June 30th 2017 or before, in the schedules that are indicated in the Appendix N ° 1 "Letter of Interest Subjects".

ii) For project enhancement process phase:
CORFO will provide further details to prequalified companies after a non-disclosure agreement.

7.- CONTACTS.

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**Chilean Economic Development Agency
CORFO**

