19 September 2016

ASX / TSX ANNOUNCEMENT

Appendix 4E
Results for announcement to the market

OROCOBRE LIMITED
ABN 31 112 589 910

<table>
<thead>
<tr>
<th>Results</th>
<th>30/06/2016</th>
<th>30/06/2015</th>
<th>% Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 Revenues from ordinary activities</td>
<td>15,526,762</td>
<td>19,400,154</td>
<td>20%</td>
</tr>
<tr>
<td>1.2 Net statutory profit/(loss) for the period, attributable to members</td>
<td>(21,912,971)</td>
<td>(844,411)</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Note: Revenue does not include contribution from SDJ SA due to equity accounting

1. **Dividends** – The Directors have determined that there will be no payment of a dividend for the year ended 30 June 2016.

2. **Net tangible assets**

<table>
<thead>
<tr>
<th>30/06/2016</th>
<th>30/06/2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net tangible asset backing per ordinary security</td>
<td>0.90</td>
</tr>
</tbody>
</table>

3. **Audit Report** – The financial statements and Remuneration Report have been subject to audit.

For more information please contact:

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M: +61 418 783 701
E: aabarber@orocobre.com
Review of Results

Group financial performance

To assist readers to better understand the financial results of Orocobre, the financial information in this Operating and Financial Review includes non-IFRS financial information. The financial information has been translated to US dollars using average exchange rates for the relevant period.

Summary of results for the year ended 30 June 2016 (US$):

- Revenue includes revenue from operations and all other income
- ‘EBITDAX’ is ‘Earnings before interest, tax, depreciation and amortisation, and foreign exchange gains (losses)’
- ‘EBITX’ is ‘Earnings before interest, tax, and foreign exchange gains (losses)’
- ‘EBTX’ is ‘Earnings before tax and foreign exchange gains (losses)’

The Group incurred in a net loss after tax of US$22 million (30 June 2015: US$0.9 million loss), which was almost entirely composed of a non-cash foreign exchange loss of US$20.9 million and US$1.6 million related to the arbitration with Rio Tinto Minerals, now completed.

As a result of the large devaluation of the Argentine Peso during the year ended 30 June 2016, the Group’s results were dominated by the impact of foreign exchange translation. Including the foreign exchange loss from its share of the Olaroz operations (SDJ PTE) the results of the Group were significantly impacted by an exchange loss of US$20.9M (30 June 2015: US$8.7 million gain on exchange).

Borax Argentina like for like sales volumes were up 4% after adjusting for the absence of low value tincal ore in the current year sales but total sales were down 20% on the previous corresponding period.

<table>
<thead>
<tr>
<th></th>
<th>Year ended 30 June 2016</th>
<th>Year ended 30 June 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>18,562,916</td>
<td>21,199,020</td>
</tr>
<tr>
<td>EBITDAX*</td>
<td>(7,809,149)</td>
<td>(7,778,832)</td>
</tr>
<tr>
<td>Less Depreciation &amp; Amortisation</td>
<td>(1,705,246)</td>
<td>(1,359,639)</td>
</tr>
<tr>
<td>EBITX**</td>
<td>(9,514,395)</td>
<td>(9,138,471)</td>
</tr>
<tr>
<td>Less Interest</td>
<td>474,501</td>
<td>(996,666)</td>
</tr>
<tr>
<td>EBTX***</td>
<td>(9,039,894)</td>
<td>(10,135,137)</td>
</tr>
<tr>
<td>Less Foreign currency gains/(losses)</td>
<td>(2,552,260)</td>
<td>8,654,541</td>
</tr>
<tr>
<td>Less share of fx loss of joint venture</td>
<td>(18,284,359)</td>
<td>(149,063)</td>
</tr>
<tr>
<td>Group profit/(loss) before tax</td>
<td>(22,592,662)</td>
<td>(1,670,082)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>634,438</td>
<td>800,485</td>
</tr>
<tr>
<td>Net profit/(loss) after tax</td>
<td>(21,958,224)</td>
<td>(869,597)</td>
</tr>
</tbody>
</table>
Review of Operations

The Company’s key assets are the Olaroz Lithium Facility, the boron mines and processing facilities of Borax Argentina and a portfolio of brine exploration projects. They are all located in northern Argentina.
The Company’s brine assets can be split into two groups. The first group of properties is owned and held by 66.5% (effective) Argentine operating company, Sales de Jujuy S.A ("SDJ") and contain those properties associated with the Olaroz Lithium Facility. Orocobre’s partners in SDJ are Toyota Tsusho Corporation ("TTC") (25%) and “JEMSE” (8.5%).

The second group of brine assets is owned by South American Salar S.A (85% effective owned by the Company), which has properties in a number of salt lakes in Salta and Jujuy provinces, including the Salar de Cauchari lithium-potash project and Salar de Salinas Grandes potash-lithium project.

The Company’s boron mineral assets are held through its 100% owned subsidiary, Borax Argentina S.A.

Olaroz Lithium Facility (66.5%)

A year of achievement...

- The newest, low cost lithium carbonate producer
- High growth, high margin business
- Demand growth @ 10% CAGR
- Sustained high market prices
- Large long life resource
- Expansion studies underway
- Plant optimisation expected to decrease operating cash costs from approximately US$3500/t to <US$2500/t

The Olaroz Lithium Facility is located in Jujuy Province in northern Argentina, approximately 230 kilometres northwest of the capital city of Jujuy. The operations are at an altitude of 3,900 metres above sea level and produce lithium carbonate from the Salar de Olaroz brine resource.

The 17,500 tonne design capacity plant has been operating since early 2015 and produces a range of highly sought after lithium carbonate products that are sold into global markets. Demand for our products continues to increase as the worlds’ consumers require high quality lithium batteries in applications that vary from the mobile phone to state of the art high performance electric vehicles and grid power storage applications at residential and commercial scale.

The first sale of lithium carbonate from the Olaroz Lithium Facility occurred in late April 2015 and volumes have been increasing since that time. The production profile has shown consistent quarter on quarter improvement.
Now production from the plant is nearing nameplate capacity the focus will turn to operational optimisation. This will see a renewed focus on reagent usage, operational process and recovery to achieve improvements in the cost of production.

Small scale capital projects will be considered on the basis of cost versus return and to improve redundancy in operating systems.

**Highly competitive industry position**

The Olaroz Lithium Facility is currently producing lithium carbonate at an operating cash cost of US$3,555/t which places the operations in the second lowest cost quartile relative to other producers.

Further process optimisation improvements on recovery, reagent usage and logistics is targeted to see the operating cash cost reduce to <US$2,500/t.

**Expansion plans**

Scoping Studies into the expansion of production at Olaroz from 17,500 tonnes per annum to 35,000 – 42,500 tonnes per annum are nearly complete. Options being considered range from duplication of existing production facilities to a degree of scale up with possible lithium hydroxide production. Any expansion of this site will be significantly lower risk than a greenfield development due to the recent experience in the construction, commissioning and debottlenecking of the existing operations and the presence of existing infrastructure. Financing of the expansion is expected to be achieved through operating cash flow from the current operation and project debt, most likely from existing financiers.
**MOU for Development of Lithium Hydroxide Plant**

In November 2015 the Company signed a Memorandum of Understanding (MOU) with Bateman Advanced Technologies (BAT) a subsidiary of Tenova S.p.A. a worldwide supplier of advanced technologies, products and engineering services to review their proprietary technology for the production of lithium salts including lithium hydroxide directly from brines.

During the year, BAT has been operating its Mini Pilot Plant, located at their premises in Israel, with the objective of better refining the design parameters of a pilot plant to potentially be located at an Orocobre site. Tenova-Bateman finished the continuous run of the lithium solvent extraction test, which has been evaluated. During April 2016 the scrubbing and stripping test was undertaken. In parallel, membrane test work was undertaken in order to optimize operation parameters. The electrolysis of the lithium sulphate solution obtained from the LiSXTM process was then completed.

A report including test work results and order of magnitude OPEX and CAPEX was delivered in July and we are assessing the results and currently in discussions with BAT in relation to the test results and the next steps.

**Product Specifications**

Olaroz sells to multiple customers in multiple markets with three grades of product from the Olaroz Lithium Facility, a battery market product, a technical market product and industrial grade. The lower grade “in process” material which was previously recovered from the tanks post absorption in relatively minor volumes and sold to downstream chemical manufacturing customers is no longer being produced as of June, following the final improvements to CO2 injection and diffusor design.

The main markets for technical grade product are the ceramic and glass markets, with battery grade typically sold to cathode manufacturers and industrial grade typically sold to ceramic, chemical manufacturing customers for the manufacture of lithium hydroxide and other chemicals.
Brine Inventory

The end of the year brine inventory level was 38,200 tonnes of lithium carbonate equivalent (LCE). This is an increase from the 30,000 tonnes of LCE reported last year.

Market Conditions

Prices up more than 60% over the year

The lithium market has experienced a very buoyant year. Tightness of supply has seen prices increase from below US$6,000/tonne on a delivered basis at the beginning of the financial year to more than double this figure for newly agreed contracts in the September 2016 quarter. The weighted average price expectation for the September quarter on an FOB Chile basis is >US$10,000/tonne (net of commissions and logistics costs) as previously advised, dependent upon the mix of orders dispatched. There are a number of back orders to be filled at lower than current quarter price levels and these will not be fully dispatched until the December quarter. These back orders are the result of a slower than anticipated ramp up versus the view held when the supply contracts were agreed. As a show of good faith, it was necessary to honour the originally agreed price with customers when the delivery dates were revised.

Price revision has been largely on a quarterly basis and subject to the production performance of the Olaroz Lithium Facility. Longer term arrangements with customers will be discussed in the near future with the expectation being for some longer term commitments in respect to volume with price reviews on a quarterly or half yearly basis.

Supply/Demand

Supply shortages of spodumene concentrate to conversion plants and high demand from EV manufacturers in China precipitated the rapid increase in market price during the second half of the financial year. The Chinese government has identified some aggressive targets for the number of EV units (both cars and buses) to be produced by 2020. This is expected to continue to drive demand into 2017 and beyond with the new and expanded battery factories announced by Tesla, Foxconn, Samsung, LG, BYD and others supporting the anticipated buoyant future growth profile of the battery market. The increased participation of mainstream brands in the EV sector, the growing focus on grid power storage at a commercial and residential scale and the continued growth in the demand for mobile devices, particularly in emerging markets, continues to contribute to a very positive outlook for the lithium ion battery sector.

Average industry utilisation levels of conversion plants in China have remained below 60% of nameplate capacity for varied reasons including feedstock quality/recovery rates, conversion plant age and operational efficiency.

Capacity additions to downstream processing have responded to these factors resulting in modest expansion. However, this new conversion capacity is unlikely to match the pace of forecast increases in spodumene concentrate supply from Australian hard rock projects.

There is a lead time involved in the supply side response regardless of whether it is a brine operation or a hard rock operation being considered as there is a requirement for the mines and/or plants to be permitted, financed, constructed commissioned, debottlenecked and optimised.
Lithium ion battery costs continue to reduce driven largely by improvements in manufacturing processes. Given the unique electrochemical properties of lithium and its relatively low contribution to total battery cost (<3%) the future of lithium ion batteries as a long term viable battery technology appears to be very favourable.

Production Enhancements:

The operations achieved operating cash cost breakeven in January 2016 and have continued to deliver improved operating and financial performance since that time. Key to delivering these improvements has been a well-documented production enhancement program involving the improvement of heating and cooling systems with the installation of additional boiler capacity and heat exchangers and the use of incoming brine as a cooling fluid. Centrifuges were installed in place of polishing filters in order to improve liquid/solid separation and reduce crystal loads in the plant. Settling ponds and flocculants were introduced to reduce crystal loading of the concentrated brine pond prior to feed into the lithium carbonate plant and allow a clarified brine to be fed to the heat exchanger plates reducing the incidence of crystal formation. Changes to the CO2 injection points and modifications to diffusor design has resulted in the elimination of “in process” material (i.e. lithium solids precipitating post absorption stage). The purification circuit currently has a capacity of 40tpd, with the limiting factor being the throughput rate of the thickener. The addition of a cyclone bank prior to the thickener will allow the design throughput rate to be achieved. This is expected to be completed by November. The cost of these rectifications above was approximately US$10m.

The projects outlined above have resulted in the Primary circuit of the plant operating in a very stable manner at rates above design capacity. When complete, the cyclone bank project will deliver additional capacity and flexibility to the Purification circuit.
Joint Venture Structure

The Olaroz Lithium Facility Joint Venture is managed through the operating company, SDJ. The shareholders are Sales de Jujuy Pte Ltd ("SDJ PTE"), a Singaporean company that is the joint venture vehicle for Orocobre and TTC and JEMSE, the mining investment company owned by the provincial government of Jujuy, Argentina. The effective equity interest in the Olaroz Lithium Facility Joint Venture is Orocobre 66.5%, TTC 25.0% and JEMSE 8.5%.
Borax Argentina (100%)

A year of improvement……

- EBITDAX positive in H2 FY16 at the bottom of the price cycle
- Production optimisation projects resulting in decreased costs per unit
- Focus on maximising production
- Significant long life assets
- Expansion studies underway

Like for like sales tonnes up 4%

US$1.353 improvement in EBITDAX

Cost of Goods Sold down 24%

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

Borax Argentina has operated in the Salta-Jujuy region for over 50 years and its’ operations, include three open pit mines, concentrators, refining capacity and significant land holdings. The mining operations are located in Tincalayu, Porvenir and Sijes.

The products produced by Borax Argentina can be divided into three groups being: minerals, refined products and boric acid. The minerals historically produced are ulexite, colemanite and hydroboracite. Ulexite has traditionally been used as a feedstock for the production of boric acid until this past year when hydroboracite was introduced as the primary feedstock allowing for a lower cost of production and a product with a lower chloride content to be produced. Hydroboracite and colemanite are supplied into the ceramic market and more recently hydroboracite into agricultural and oil and gas markets. The refined products comprise of borax decahydrate, borax pentahydrate and borax anhydrous. These refined products have applications in a wide range of markets from agriculture, ceramics, glass, insulation fibreglass, textile fibreglass, gold assay and smelting fluxes, wood protection and a number of specialty applications.
Combined Product Sales Volume Year on Year*

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Combined Product Sales (tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2014</td>
<td>40,098</td>
</tr>
<tr>
<td>June 2015</td>
<td>34,091</td>
</tr>
<tr>
<td>June 2016</td>
<td>35,482</td>
</tr>
</tbody>
</table>

*Combined product sales volumes include borax chemicals, boric acid and boron minerals and does not include sales of tincal ore of 4,021 tonnes in September 2014 quarter, 4,225 tonnes in the December 2014 quarter and 2,061 tonnes in the June 2015 quarter, for a total of 10,307 tonnes.

Volumes up, costs down

Sales volume was up 4% on last year on a like for like basis, excluding the sales of low priced tincal ore sold in FY15. Sales revenue, which is US$ denominated or US$ pegged, reduced 20% on a US$ basis from the prior year due to the absence of the low value tincal ore sales from FY15 some change in sales mix due to the increased sales of mineral products in place of the higher value refined products. EBITDAX was (US$773,799) versus FY15 of (US$2,126,380). Cost of goods sold reduced 24% when compared to last year and administration expenses increased by 26% due to higher non cash costs related to depreciation from new projects, and the impact of discounting to present value Argentine peso denominated financial assets.

Borax Argentina was EBITDAX positive in H2 FY2016 demonstrating that the business has managed to deliver locally generated improvements in a very challenging market and economic environment at the bottom of the price cycle.

A substantial portion of Borax’s costs are Argentine based (~60%) and hence the devaluation of the average ARS rate against the US$ during FY2016 of 39% only flowed through to some extent given the offsetting impact of inflation. The average* rate for FY16 is AR11.98:US$1 (FY15: ARS8.59:US$1) (*Opening and closing rate of each month divided by two and then all summed and divided by twelve).

A devaluing ARS benefits Borax as ARS costs become cheaper in US$, and US$ sales revenues translate to more ARS. A downside of a devaluing ARS is that recoverable VAT reduces in US$ terms.

Decahydrate plant relocation and expansion

The relocation of the Tincalayu borax decahydrate plant was completed in July 2014. The Tincalayu plant has more recently been operating at ~80-85 tonnes per day of borax decahydrate and building inventory of borax decahydrate and pentahydrate.

The focus in recent times has been on manufacturing efficiency and to this end the refined borax operations have been progressively relocated to the mine site at Tincalayu, first with the borax decahydrate plant and in this last financial year the relocation of the pentahydrate plant and optimisation of the decahydrate operations to increase capacity by 30tpd to 100tpd of decahydrate equivalent. The boric acid plant has also been part of plant optimisation activities with a targeted increase of 6 tpd and the use of hydroboracite feed in place of ulexite which lowers the cost of production and also produces a low chloride finished product. The plant modernisation and improvement program is now fundamentally complete and the focus now is on maximising production to achieve the lowest
possible production cost per unit through these new plant efficiencies. This activity, although necessary has been disruptive and has prevented the business from producing to its full potential.

These manufacturing improvements will now allow the operation to perform more efficiently with a positive impact on operating costs thus improving competitiveness of the products produced. The focus remains on continuing to reduce operating costs through incremental efficiencies and this drive for continuous improvement is now firmly embedded in the business.

Refined Borates Expansion Study:

An expansion study commenced in Q2 CY2016 to evaluate a potential expansion of the Tincalayu refined borates operation from its current production capacity of 30,000tpa to 100-120,000tpa. It is anticipated that the potential expansion will further enhance efficiencies in the production of refined borates at Tincalayu and contribute to improved manufacturing unit costs. This study will consolidate the work already undertaken on a new gas pipeline for which permitting is underway.

Market Conditions:

Borax Argentina is the only South American based boron producer with a wide range of refined products and relatively unique mineral products. The value proposition to customers is that it is a local high quality manufacturer and supplier of boron products well positioned to provide value particularly in the form of security of supply to businesses both large and small, not only in South America but also to the operations of these companies based internationally and other key customers and markets located offshore.

In recent times market conditions have been challenging which has provided significant motivation to achieve cost reductions and efficiencies in production. This has driven the business to become sustainable at the low end of the market price cycle and to seriously assess its value proposition to customers and define its place in the market. The focus this current financial year (FY17) is to improve production rates following the optimisation projects, build suitable inventory levels, improve response times and delivery performance and reinforce Borax’s value proposition as the producer integral to customer’s security of supply strategy. Recent uncertainty in the political environment of other producing nations reinforces the importance of Borax Argentina in the global supply chain of boron products.

Borax Argentina has also been pursuing an ongoing geographic and product diversification strategy in order to better insulate the business from localised economic and market cycles. In addition to its traditional markets in South America, the Company now has a geographic and market diverse range of customers internationally. Borax Argentina sales contracts are denominated in, or pegged to, the US$.

The borates market recorded steady growth at levels equal to or above GDP growth in key demand markets. Increased demand from the Americas for agricultural applications continued, while Africa and India showed improved adoption using borates as a micronutrient to increase crop productivity. Heightened demand for refined borates products and boric acid reflected increasing consumption in agriculture applications and within chemical feedstocks.

Asia maintained its position as the largest consumer of borates accounting for an estimated 60% of total global demand. The strong relationship between urbanization and demand for borates means China’s development has had a very noticeable impact on the market. With urbanisation comes an increasing middle class population and
demand for fundamental items that use borosilicate glass (BSG) and textile fibreless (TFG) such as ceramics, liquid crystal display (LCD) televisions and electrical appliances. Innovation in technology should ensure continued growth in end-use demand as well as shorter life-cycles of individual devices or applications.

Emerging end-use sectors included the oilseed industry in Southeast Asia and Indonesia, and fracking in the America’s. The recovering US market could stimulate the fracking industry where it is a more established and widespread practice. Fracking restrictions in other geographies, such as Europe, continues to limit the potential uptake of borates for this purpose.

Key borates producers Rio Tinto Minerals and ETI responded to growing market demand for refined products and BSG, resulting in a balanced market during FY16. Supply from these majors, supplemented by improved output from Borax Argentina’s successful debottlenecking, suggests the market is likely to maintain a healthy rate of growth with positive signs from new end-use markets.

Continued market growth at approximately GDP rates or above is expected, driven by innovation in Asia’s BSG industry and fracking in the America’s, as well as increasing and more widespread consumption of borates in agricultural applications.

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.
- Source: Roskill 2016
Mineral Borates Market

- Overall 4% CAGR from 2013 to 2018
- Growth driven by Agriculture (6%), Insulation Fiber Glass (4%) and Frits and Ceramics (4%)
- Fracking application is predominantly as a cross linking agent for gels in well casings
- Source: Roskill 2016

Health Safety and Community

Sales de Jujuy and Borax Argentina have both achieved ISO accreditation for ISO 31000 Risk Management, ISO 9001 Quality Control and ISO 14001 Environmental Management. Both subsidiary companies have also implemented the OHSAS 18001 Occupational Health and Safety Management System.

The Company fosters a “zero harm” approach when it comes to the safety of our employees and project contractors. Orocobre’s goal regarding the safety of our operations is to continuously improve the reporting of and reduction in workplace risks and incidents. The safety statistics for Borax Argentina and Sales de Jujuy employees and contractors is presented in the table below (TRIFR = Total Recordable Injury Frequency Rate):

<table>
<thead>
<tr>
<th></th>
<th>FY16 Employee TRIFR</th>
<th>FY15 Employee TRIFR</th>
<th>FY14 Employee TRIFR</th>
<th>FY16 Contractor TRIFR</th>
<th>FY15 Contractor TRIFR</th>
<th>FY14 Contractor TRIFR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borax Argentina</td>
<td>10.2</td>
<td>7.4</td>
<td>14.2</td>
<td>7.0</td>
<td>7.4</td>
<td>16.5</td>
</tr>
<tr>
<td>Sales de Jujuy</td>
<td>14.5</td>
<td>10.1</td>
<td>24.6</td>
<td>22</td>
<td>3.7</td>
<td>33.3</td>
</tr>
</tbody>
</table>

The trend of TRIFR from year to year demonstrated improvement from 2014 to 2015 but has regressed in the last year. Although the TRIFR has not improved, it is important to recognise that the nature of activity has changed over the last three years from construction to commissioning to early operations and production. Although the nature of the incidents is relatively minor (minor cuts, bruises and abrasions) it remains a key focus of the Company to significantly reduce the number of incidents and improve the TRIFR performance.

Within Argentina, the Company operates a wide range of programs aimed at improving the health and education of our personnel and that of the local communities, as well as fostering the entrepreneurial skills of local businesses.
Year-round health care programs are conducted that provide dentistry, ophthalmology, cardiology and paediatric services for both our employees and the local community. Additionally, the Company has undertaken a number of campaigns which focus on creating awareness for the prevention and early-detection of conditions such as breast cancer and substance dependency. The Company has also been actively involved in community initiatives which focus on improving the formal education graduation rate at primary, high school and speciality levels.
Exploration and Resources

Olaroz Resource Estimate

In 2011, the Company defined a measured and indicated resource of 1,752 million cubic metres of brine at 690 mg/L lithium, 5,730 mg/L potassium and 1,050 mg/L boron at the Olaroz Project, which is equivalent to 6.4 million tonnes of lithium carbonate and 19.3 million tonnes of potash (potassium chloride) based on 5.32 tonnes of lithium carbonate being equivalent to 1 tonne of lithium and 1.91 tonnes of potash being equivalent to one tonne of potassium.

Details of the measured and indicated resources are given in the table below.

<table>
<thead>
<tr>
<th>Resource Category</th>
<th>Area sq. km</th>
<th>Thickness metres</th>
<th>Mean Specific Yield %</th>
<th>Brine Volume cubic km</th>
<th>Concentration</th>
<th>Tonnes of Contained Metal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measured Resource</td>
<td>93</td>
<td>54</td>
<td>8.5%</td>
<td>0.42</td>
<td>632</td>
<td>4,930</td>
</tr>
<tr>
<td>Indicated Resource</td>
<td>93</td>
<td>143</td>
<td>10.0%</td>
<td>1.33</td>
<td>708</td>
<td>6,030</td>
</tr>
<tr>
<td>Measured and Indicated Resource</td>
<td>93</td>
<td>197</td>
<td>9.6%</td>
<td>1.75</td>
<td>690</td>
<td>5,730</td>
</tr>
</tbody>
</table>

Olaroz Defined Exploration Target

As part of the bore field development during construction, five production bores have been drilled, or extended, beyond the resource with the deepest being to 450m. All the holes have intersected thick sand sequences beneath the 197m deep resource. These results are highly significant as this thick sand sequence has been shown to extend laterally beneath much of the defined brine resource. Sands of this type have free draining porosity of between 20% and 25% based on previous test work and the sand unit could hold significant volumes of lithium-bearing brine which could be added to the resource base by future drilling. In addition, due to the thickness of the sand, any production bore drilled into this unit will be high yielding compared to bores only in the top 200m.

The exploration target described below is between 1.6 and 7.5 million tonnes of lithium carbonate equivalent, located between 197m and 323m depth, based on the first two deeper production bores.
### Additional Exploration Data

<table>
<thead>
<tr>
<th>Area km²</th>
<th>Thickness m (to 323m depth)</th>
<th>Mean specific yield %</th>
<th>Brine volume million m³</th>
<th>Li mg/l</th>
<th>Contained Li million metric tonnes</th>
<th>Lithium carbonate metric tonnes</th>
<th>K mg/l</th>
<th>Contained K million metric tonnes</th>
<th>Potash million metric tonnes</th>
<th>B mg/l</th>
<th>Boron million metric tonnes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Upper Assumption Estimate</td>
<td>80</td>
<td>126</td>
<td>20%</td>
<td>2,000</td>
<td>700</td>
<td>1.4</td>
<td>7.5</td>
<td>5400</td>
<td>10.9</td>
<td>20.8</td>
<td>1,200</td>
</tr>
<tr>
<td>Lower Assumption Estimate</td>
<td>80</td>
<td>126</td>
<td>6%</td>
<td>605</td>
<td>500</td>
<td>0.3</td>
<td>1.6</td>
<td>4000</td>
<td>2.4</td>
<td>4.6</td>
<td>900</td>
</tr>
</tbody>
</table>

Additional exploration targets have been identified to the north and the south of the defined target area. It must be stressed that an exploration target is not a mineral resource. The potential quantity and grade of the exploration target is conceptual in nature, and there has been insufficient exploration to define a Mineral Resource in the volume where the Exploration Target is outlined. It is uncertain if further exploration drilling will result in the determination of a Mineral Resource in this volume. Re-interpretation of the geophysical surveys has indicated the Salar may be over 600m deep with potential for further exploration targets to be developed beneath the current 323m.

It is anticipated that additional drilling would be conducted in FY2017, to further evaluate the exploration target and to assist longer term development planning.

### Cauchari Project (Orocobre 85%)

The Company plans to conduct further drilling at the Cauchari Lithium-Potash Project in the current financial year. The Environmental Impact Study is awaiting approval by government. The Company has no other activity to report in relation to Cauchari in the past financial year. The Cauchari Lithium-Potash Project has an inferred resource estimated to contain approximately 470,000 tonnes of lithium carbonate equivalent and 1.6 million tonnes of potash based on 5.32 tonnes of lithium carbonate being equivalent to one tonne of lithium and 1.91 tonnes of potash being equivalent to one tonne of potassium. Details are given in the table below.

The maiden resource is based on five diamond holes in Orocobre’s eastern Cauchari properties and is only to an average depth of 170m in the northern resource area and 50m in the southern resource area.

Lithium and potassium mineralisation was encountered to the base of drilling at 249m in hole CAU001D. An adjacent property owner, Lithium Americas Corp (TSX:LAC), previously drilled to a 464m depth and therefore future Orocobre drilling could substantially increase the maiden resource.
An exploration target of between 0.2 million and 2.6 million tonnes of lithium carbonate equivalent and 0.5 million and 9.2 million tonnes of potash has been estimated beneath the maiden resource based on a range of porosity and grade possibilities to between 220m and 350m depth.

Whilst a lower grade than Olaroz, the brine chemistry is similar to that at Olaroz, with an attractive low Mg/Li ratio (2.8) and high K/Li ratio (10). Initial evaluation of the process route suggests the brine could be processed in an expanded Olaroz plant. Cauchari is located approximately 20kms south of the Olaroz Lithium Facility.

Considering the similarities between the Cauchari and Olaroz projects and their close proximity, there are compelling synergies between the projects, including the expected use of shared infrastructure and processing plants and the likelihood that any future development of the Cauchari brine would use the Olaroz facilities at a relatively low incremental capital cost. Consequently, the Company considers the Cauchari project and its brine body to be part of the larger Olaroz project.

This information in regard to Cauchari was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

**Salinas Grandes Potassium-Lithium Project (Orocobre 85%)**

The Company has no new activity to report in the last financial year in relation to Salinas Grandes.

Salinas Grandes is located 70 kilometres southeast of the Olaroz Lithium Facility in Salta province. Through South American Salar SA, Orocobre holds an 85% interest in the project. The proximity of Salinas Grandes to the Olaroz Facility provides potential operating synergies, including the option to process concentrated Salinas Grandes lithium brine at an expanded lithium carbonate plant at Olaroz.

Salinas Grandes has an inferred resource, to a depth of 13.3m, estimated to contain 56.5 million cubic metres of brine at 795 mg/L lithium and 9,550 mg/L potassium, which is equivalent to 239,200 tonnes of lithium carbonate and
1.03 million tonnes of potash (potassium chloride) based on 5.32 tonnes of lithium carbonate being equivalent to 1 tonne of lithium and 1.91 tonnes of potash being equivalent to one tonne of potassium. Details are provided in the table below.

<table>
<thead>
<tr>
<th>Resource Category</th>
<th>Area (km²)</th>
<th>Average Thickness (m)</th>
<th>Mean Specific Yield (%)</th>
<th>Brine Volume (Million m³)</th>
<th>Lithium (mg/l)</th>
<th>Potassium (mg/l)</th>
<th>Boron (mg/l)</th>
<th>Tonnes Contained Metal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inferred Resource</td>
<td>116.2</td>
<td>13.3</td>
<td>4.1%</td>
<td>56.5</td>
<td>795</td>
<td>9,547</td>
<td>283</td>
<td>44,960</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>539,850</td>
<td></td>
<td></td>
<td>12,100</td>
</tr>
</tbody>
</table>

The shallow brine body has attractive grades and chemistry with a low magnesium to lithium ratio of 2.5, a high potassium to lithium ratio of 12.5 and a low sulphate to lithium ratio of 5.8 in the central area of drilling, rising to 10.6. Test work since late 2010 suggests high recoveries of both potassium and lithium could be expected using a simple, low operating cost, process route. Laboratory scale testing has produced potassium (82%-89% KCl), prior to washing to obtain +95% KCl.

The low sulphate levels of the Salinas Grandes brine indicate that potash recovery would be high as a co-product of lithium carbonate production with potentially eight tonnes of potash produced for each tonne of lithium carbonate.

The work completed at Salinas Grandes to date confirms the potential that brine can be extracted from the shallow resources at potentially commercial rates and with stable grades that could allow for modest annual production of potassium and lithium to augment the Olaroz project.

This information in regard to Salinas Grandes was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

**Borax Argentina**

**JORC Compliance Programme**

Following the upgrading of the Porvenir historical estimate to a JORC compliance Measured and Indicated resource in 2014, the Tincalayu resource upgrade was completed in FY15. The program is continuing with the Sijes deposit. The Diabílllos “historical estimate” will not be upgraded as the majority has been flooded by the artisanal bores caused by Rodinia Lithium’s drilling programmes.

**Resources**

**Porvenir Resource Estimate Summary**

A measured and indicated resource of 2.3 million tonnes at 20.4% B₂O₃ is estimated at the current 16% mining cut-off grade. The resource extends to a maximum depth of 2.9m and is easily exploited by low cost strip mining. A
measured and indicated resource of 6.9 million tonnes of 14.9% B2O3 is estimated at a 9% B2O3 mining cut off grade.

The resource estimate was prepared by Murray Brooker, an independent consultant employed by Hydrominex Geoscience Pty Ltd. Murray Brooker is a geologist and hydrogeologist and is a Member of the Australian Institute of Geoscientists. Murray has sufficient relevant experience to qualify as a competent person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. He is also a “Qualified Person” as defined by Canadian Securities Administrators’ National Instrument 43-101. The information is extracted from the report entitled Amended Announcement to Porvenir Historical Estimate Upgraded to JORC Compliant Resource, 29 April, 2014 and is available to view on the Company website www.orocobre.com.

The Company is not aware of any information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement. A previous announcement was made on the 21/08/12 regarding the superseded historical resource at Porvenir, which is the subject of re-estimation. The company is not in possession of any new information or data relating to historical estimates that materially impacts on the reliability of the estimates or the company’s ability to verify the historical estimates as mineral resources, in accordance with the JORC Code. The supporting information provided in the initial market announcement of 21/08/12 continues to apply and has not materially changed.

Tincalayu Resource Estimate Summary

An Indicated and Inferred resource of 6.5 million tonnes at 13.9% B2O3 at the a marginal cut-off of 5.6% B2O3, which increases to 17.8 million tons of 11.0 % B2O3, at a marginal cut-off grade of 2.8 % B2O3.
The resource estimate was prepared by Murray Brooker, an independent consultant consultant employed by Hydrominex Geoscience Pty Ltd. Murray Brooker is a geologist and hydrogeologist and is a Member of the Australian Institute of Geoscientists. Murray has sufficient relevant experience to qualify as a competent person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. He is also a “Qualified Person” as defined by Canadian Securities Administrators’ National Instrument 43-101. The information is extracted from the report entitled Tincalayu Historical Estimate Upgraded to JORC Compliant Resource, 18 November 2014 and is available to view on the Company website www.orocobre.com.

The Company is not aware of any information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement. A previous announcement was made on the 21/08/12 regarding the superseded historical resource at Tincalayu, which is the subject of re-estimation. The company is not in possession of any new information or data relating to historical estimates that materially impacts on the reliability of the estimates or the company’s ability to verify the historical estimates as mineral resources, in accordance with the JORC Code. The supporting information provided in the initial market announcement of 21/08/12 continues to apply and has not materially changed.

### Historical Borax Argentina Resources

<table>
<thead>
<tr>
<th>MINE/PROJECT</th>
<th>MATERIAL</th>
<th>HISTORICAL ESTIMATE</th>
<th>TONNES</th>
<th>GRADE % B2O3</th>
<th>TONNES B2O3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CURRENT SOFT ROCK MINES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Siéles – Hydroboracite</td>
<td>Hydroboracite</td>
<td>Measured</td>
<td>3,096,998</td>
<td>706,800</td>
</tr>
<tr>
<td></td>
<td>Siéles – Colemanite</td>
<td>Colemanite</td>
<td>Inferred</td>
<td>200,000</td>
<td>40,000</td>
</tr>
<tr>
<td></td>
<td>Total and average</td>
<td></td>
<td></td>
<td>3,299,998</td>
<td>746,800</td>
</tr>
<tr>
<td></td>
<td>UNDEVELOPED ULEXITE DEPOSITS IN SALT LAKE SEDIMENTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ratones</td>
<td>Ulexite</td>
<td>Indicated</td>
<td>364,663</td>
<td>18.0</td>
<td>65,639</td>
</tr>
</tbody>
</table>

The historical estimate at Diablillo is not being re-stated as the raised phreatic surface caused by 3rd party drilling may affect the ability to mine some of this mineralisation.

Footnotes: The historical estimates are in equivalent categories to those used by the JORC and CIM reporting codes. However, these estimates did not satisfy either current JORC or CIMNI 43-101 requirements for the reporting of resources and were considered to be historical resources (see Orocobre ASX/TSX announcement August, 2012).

A qualified person did not do sufficient work to classify the historical estimates as current mineral resources or mineral reserves, and the Company did not treat the historical estimates as current mineral resources or mineral reserves. It is uncertain whether following evaluation and/or further exploration any of the historical estimates will ever be able to be reported as current estimates in accordance with the JORC code or NI 43-101.

There is no new information that impacts on these historical estimates. Note that material mined in 2012-2014 is not accounted for as depletion in the figures above, with approximately 35,000 tonnes at Siéles the estimated annual production of mineralised material at the time this information was originally released in 2012.

Relevant reports from which the above summary of historical estimates is drawn include the following:

**Siéles**:
- July 1998; Borax Argentina S.A.; Environmental and Operational Studies, Phase 1, Initial Geotechnical Appraisal; Knight Piesold Limited, England. Includes a Historical estimates Chapter;
- July 1998; Borax Argentina S.A.; Environmental and operational Studies, Phase 2; Geotechnical Appraisal; Knight Piesold Limited, England;

**Ratones**:
- The project was acquired by Borax Argentina circa 1987. The previous owners had conducted an estimate of contained mineralised material. This has not been validated by Borax Argentina, who consider the status of this material to be of the indicated category.
Borax Argentina also owns the tenure on all or parts of the lithium projects being progressed by other lithium exploration companies, including Lithium Americas Corporation Ltd. (TSX:LAC) at Salar de Cauchari, LithiumX (TSX-V:LIIX)/Aberdeen (TSX:AAB) JV at Diablillos, and Galaxy Resources Ltd (ASX:GXY) at Sal de Vida. As one of the conditions to extract brines, these companies are required to make payments to Borax Argentina either as fixed annual payments or a royalty related to production. The terms of these agreements are detailed below.

<table>
<thead>
<tr>
<th>Company</th>
<th>Project Affected</th>
<th>Area of Properties (hectares)</th>
<th>Date of Contract</th>
<th>Type of Contract*</th>
<th>Remaining Payments</th>
<th>Royalty Payable on Brine Extraction</th>
<th>Period ofUsufruct</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lithium Americas Corporation</td>
<td>Cauchari</td>
<td>4,130</td>
<td>19-May-11</td>
<td>Usufruct</td>
<td>$5,400,000</td>
<td>None</td>
<td>18-May-41</td>
<td>$200,000 per annum payable until 18 May 2041 irrespective of production. Remaining period of 24 years and 9 months, at which time the brine rights revert to Borax Argentina.</td>
</tr>
<tr>
<td>LithiumX / Aberdeen JV**</td>
<td>Diablillos</td>
<td>2,700</td>
<td>14-Jan-10</td>
<td>Usufruct</td>
<td>None</td>
<td>1.5%</td>
<td>n/a</td>
<td>Royalty can be purchased by Rodinia at any time for $1,500,000.</td>
</tr>
<tr>
<td>LithiumX / Aberdeen JV**</td>
<td>Centenario and Ratones</td>
<td>630</td>
<td>14-Jan-10</td>
<td>Purchase</td>
<td>None</td>
<td>1.0%</td>
<td>Indefinite</td>
<td>Royalty can be purchased by Rodinia for $1,000,000.</td>
</tr>
<tr>
<td>LithiumX / Aberdeen JV**</td>
<td>Los Ratones</td>
<td>600</td>
<td>14-Jan-10</td>
<td>Purchase</td>
<td>None</td>
<td>1.0%</td>
<td>Indefinite</td>
<td>Royalty can be purchased by Rodinia for $1,000,000. Borax Argentina has the right to mine borates.</td>
</tr>
<tr>
<td>Galaxy Resources</td>
<td>Sal de Vida</td>
<td>1,100</td>
<td>6-Jan-10</td>
<td>Exploration and Usufruct</td>
<td>None</td>
<td>1.0%</td>
<td>Indefinite</td>
<td>Royalty can be purchased by Galaxy for $1,000,000.</td>
</tr>
<tr>
<td>Lithea Inc.</td>
<td>Pozuelos</td>
<td>2,488</td>
<td>14-Jan-10</td>
<td>Purchase</td>
<td>None</td>
<td>1.0%</td>
<td>Indefinite</td>
<td>Royalty can be purchased by Lithea for $1,000,000. Borax Argentina has the right to mine borates.</td>
</tr>
</tbody>
</table>

*Usufruct – legal right afforded to a person or party that confers the temporary right to use and derive income or benefit from someone else’s property.

** Usurfruct held by PLASA a subsidiary of the LithiumX/Aberdeen Int’l JV, (formerly a subsidiary of Rodinia)
Directors Report

The Company’s directors have significant public company management experience, together with a strong background in mineral exploration, project development, operations management, financial markets, accounting and finance. Their experience covers many resource sectors within Australia and internationally. The names and qualifications of the Directors in office during or since the financial year are summarized below:

Robert Hubbard          BA (Hons), FCA

*Non-Executive Chairman*

Mr. Hubbard was appointed a Director in November 2012 and appointed Chairman of the Board of Directors of Orocobre in July 2016 following the resignation of Mr. Calaway. Mr. Hubbard was a partner at PricewaterhouseCoopers for over 20 years until 2013. During his time as a PwC partner, he served as auditor and adviser for some of Australia’s largest resource companies with activities throughout Australia, Papua New Guinea, West Africa and South America. His experience has covered a range of commodities including base metals, gold, oil and gas and thermal and metallurgical coal.

Mr. Hubbard also serves as a non-executive Director in various community and commercial focussed organisations. He is currently a Director of JK Tech Pty Ltd and Council member of the University of the Sunshine Coast. Mr Hubbard is a non-executive Director of Bendigo and Adelaide Bank Limited, Primary Health Care Limited and Chairman of Central Petroleum Limited. Mr. Hubbard is currently a member of the Remuneration Committee and the Audit Committee. He was formerly the Chairman of the Audit Committee.

*Directorships held in other ASX listed companies in the last three years:*

Bendigo and Adelaide Bank Ltd (Apr 2013 - Present)

Central Petroleum Limited (Dec 2013 - Present)

Primary Health Care Limited (December 2014 – Present)
Directors Report

James D. Calaway (Retired July 2016) BA (Econ), MA (PP&E)

Former Non-Executive Chairman

Mr. Calaway was appointed a Director in May 2009 and served as Chairman since that time until his retirement from the Board in July 2016. Mr. Calaway is a respected businessman and civic leader in Houston, Texas. He has considerable experience and success in building young companies into successful commercial enterprises. Mr. Calaway and his family have played major roles in the development of both public and private companies in the United States, including companies engaged in oil and gas exploration and production and alternative energy development. Mr. Calaway currently serves as Chairman of the Board of Distributed Power Partners, a leader in clustered distributed solar power development, and has served as a Director on several other U.S. corporate boards.

Mr. Calaway is active in the Houston community recently serving as the Chairman of the Board of the Centre for Houston’s Future, and the Chairman of the Houston Independent School District Foundation, among others.

Mr. Calaway is a graduate of the University of Texas and the University of Oxford. He was formerly a member of the Remuneration Committee.

Directorships held in other ASX listed companies in the last three years:

Elementos Limited (Jan 2011 – Oct 2013)
Directors Report

Richard P. Seville  BSc (Hons) Mining Geology, MEngSc Rock Engineering, MAusIMM, ARSM

Managing Director and Chief Executive Officer

Mr. Seville was appointed a Director in April 2007. Mr. Seville is a mining geologist and geotechnical engineer with over 30 years’ minerals sector experience covering exploration, mine development and mine operations. He has had significant corporate experience, having had many years in the role of Operations Director and/or CEO in ASX/AIM listed mining companies. Mr. Seville is a graduate of the Royal School of Mines, Imperial College and James Cook University North Queensland. Mr. Seville was appointed Managing Director of Orocobre in May 2007 and has led the company since.

Directorships held in other ASX listed companies in the last three years:

Leyshon Resources Ltd (Feb 2007 - Present)


John W. Gibson  BSc Geology, MSc Geology

Non-Executive Director

Mr. Gibson was appointed a Director in March 2010. Mr. Gibson, is a recognised leader in the energy technology and services industry with more than 25 years of global energy experience. Mr. Gibson was previously the Chief Executive Officer of Tervita Corporation, a major Canadian environmental and oil field services company.
Directors Report

Prior to joining Tervita, Mr. Gibson served as Chief Executive Officer of an enterprise software solutions company serving oil and gas industry clients and has held senior positions with the Halliburton Group of Companies, most recently as President of Halliburton’s Energy Services Group. Mr. Gibson serves on the Boards of Directors for Tervita, Blue Spark Energy Inc., and I-Pulse Inc. He is a member of the University of Houston Energy Advisory Committee, and Houston Baptist University Board of Trustees.

Mr. Gibson holds a Bachelor of Science from Auburn University and a Master of Science from the University of Houston and is a member of several professional societies. He is currently Chairman of the Audit Committee.

*Directorships held in other ASX listed companies in the last three years: Nil*

Courtney Pratt

*Non-Executive Director/Lead Independent Director*

Mr. Pratt was appointed a Director in March 2010. Mr. Pratt has enjoyed a 40-year career at the helm of some of Canada’s top industrial businesses, particularly in the energy, minerals, and mining sectors. From 2004 to 2006, he was President and CEO of Stelco, a major Canadian steel producer, guiding it through a court supervised restructuring, and then served as Stelco’s Chairman until the company’s sale to the US Steel Corporation in 2007. Earlier, Mr. Pratt served as the President and CEO of Toronto Hydro, North America’s largest municipally owned electricity distributor. He also served as President and subsequently as Chairman of Noranda Inc., a global diversified natural resource company headquartered in Toronto. In this capacity he served as a Director of Noranda Minerals Inc., Falconbridge Ltd., Battle Mountain Gold Company, Noranda Forest Inc., (Chairman), Norcen Energy Resources Limited and Canadian Hunter Exploration Limited. Mr. Pratt served as Chairman and Chief Executive Officer of the Toronto Region Research
Directors Report

Alliance to March 2010. He is also a board member of MD Financial Holdings and Chairman of CMA Holdings, the physician services arm of the Canadian Medical Association. Mr. Pratt was awarded the Order of Canada in January 1999. He is currently Chairman of the Remuneration Committee.

Directorships held in other ASX listed companies in the last three years: Nil

Fernando Oris de Roa MPA

Non-Executive Director

Mr. Oris de Roa was appointed a Director in June 2010. Mr. Oris de Roa is a highly successful business leader with a history of developing and operating large enterprises within Argentina and has a reputation for upholding integrity and social responsibility in his business practices. In 1970, Mr. Oris de Roa began his career with large trading company Continental Grain, working in the USA, Spain, Switzerland, Brazil and Argentina eventually rising through the ranks to be responsible for all of Latin America. As Chief Executive of S.A. San Miguel, Mr. Oris de Roa was widely credited with turning the company into the largest and most profitable lemon products company in the world. The process of restructuring included listing S.A. San Miguel on the Buenos Aires Stock Exchange in 1997.

Mr. Oris de Roa was Chief Executive and significant shareholder of Avex S.A. from 2004 to 2012. He has also held the role of Director of Patagonia Gold Ltd. He holds a Masters of Public Administration from The Kennedy School of Government at Harvard University.

During 2015, Mr. Oris de Roa led the turnaround of the largest fruit exporter Expofrut S.A. (apples, pears and grapes) implementing a new business model and redesigning the organization accordingly. Mr. Oris de Roa is currently the Undersecretary of Investment, Government of the City of Buenos Aires.
Directors Report

Mr. Oris de Roa is a member of the Audit Committee.

*Directorships held in other ASX listed companies in the last three years: Nil*

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**Federico Nicholson**

LLB

*Non-Executive Director*

Mr. Nicholson was appointed Director in September 2010.

Mr. Nicholson has been a member of the Board of Ledesma, a diversified Argentine agro-industrial producer since 1991, also serving as Executive Director until June 2014.

He is currently Chairman of CEADS (Consejo Empresario Argentino para el Desarrollo Sustentable), an Argentinian local division of WBCSD (World Business Council for Sustainable Development), and president of La Payana S.A.

Additional positions held during Mr. Nicholson’s career include President of Argentine North Regional Center and President of Chacra Experimental Agricola Santa Rosa for 19 years respectively, Vice President of the Argentine Pulp and Paper Association, Deputy Secretary of the Food Industries Association, and Vice President of the Argentine Corn Starch and Syrups Chamber, Vice President of the Argentine Industrial Union (UIA) for fourteen consecutive years (1999-2013), and President of the National Industrial Movement.

Mr. Nicholson has been a Board member of various sports organisations, including Mar del Plata Golf Club among others, where he was the president from 2002 to 2009.

Since graduating from the University of Buenos Aires with a Law qualification, Mr. Nicholson has continued his association with the institution as a member of the Remuneration Committee. Mr. Nicholson is a member of the Company’s Remuneration Committee.

*Directorships held in other ASX listed companies in the last three years: Nil*
Directors Report

Company Secretaries

Neil Kaplan  BAcc, CA

*Chief Financial Officer and Joint Company Secretary*

Mr. Kaplan was appointed Chief Financial Officer in January 2013 and Company Secretary in July 2013. Mr. Kaplan is a Chartered Accountant and brings a wealth of knowledge to the Company with over 20 years of experience in managerial and finance positions obtained on four different continents.

Mr. Kaplan’s experience in the resources sector was achieved working in executive financial roles for Glencore International and formerly TSX listed company Coalcorp Mining, both based in Colombia. Mr. Kaplan holds a Bachelor of Accountancy degree from the University of the Witwatersrand in South Africa and is a member of both the Institute of Chartered Accountants in Australia (ICAA) and South African Institute of Chartered Accountants (SAICA).

Rick Anthon  BA LLB FAIM MAICD

*Corporate Development Manager and Joint Company Secretary*

Mr. Anthon was appointed Joint Company Secretary on 10 March 2015. Mr. Anthon is a lawyer with over 30 years' experience in both corporate and commercial law. Mr. Anthon also has extensive experience in the resource sector, as a director of a number of resource companies and as legal adviser, including project acquisition and development, capital raising and corporate governance.
Directors Report

Dividends

No dividend has been proposed or paid since the start of the year.

Shares and Share Options

The relevant interest of each Director held directly or indirectly in shares and options issued by The Company at the date of this report is as follows:

<table>
<thead>
<tr>
<th>Directors</th>
<th>Shares</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>J. Calaway</td>
<td>8,841,563</td>
<td>150,000</td>
</tr>
<tr>
<td>R.P. Seville</td>
<td>5,076,500</td>
<td>See below</td>
</tr>
<tr>
<td>J.W. Gibson</td>
<td>25,000</td>
<td>100,000</td>
</tr>
<tr>
<td>C. Pratt</td>
<td>-</td>
<td>100,000</td>
</tr>
<tr>
<td>F. Oris de Roa</td>
<td>-</td>
<td>100,000</td>
</tr>
<tr>
<td>F. Nicholson</td>
<td>-</td>
<td>100,000</td>
</tr>
<tr>
<td>R. Hubbard</td>
<td>22,183</td>
<td>-</td>
</tr>
</tbody>
</table>

Performance Rights and Options

<table>
<thead>
<tr>
<th>Employee</th>
<th>Year</th>
<th>Performance Rights</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>RP Seville</td>
<td>FY2014*</td>
<td>160,658</td>
<td>-</td>
</tr>
<tr>
<td>RP Seville</td>
<td>FY2015</td>
<td>150,039</td>
<td>-</td>
</tr>
<tr>
<td>RP Seville</td>
<td>FY2016</td>
<td>244,380</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>555,077</td>
<td>-</td>
</tr>
</tbody>
</table>

*Such grant took place in FY2015 however related to FY2014.

Further detail on Performance Rights and Options is available in the Remuneration Report.

Unissued Shares

As at 30 June 2016 there were 850,000 unissued ordinary shares relating to options and 1,832,824 unissued ordinary shares relating to performance rights (PR). Since the end of the financial year, 162,816 unissued ordinary shares under performance rights and 701,092 options lapsed in
Directors Report

accordance with the terms of their grant. Refer to the Remuneration Report for further details of the options outstanding and to Additional Information for further details on the unissued ordinary shares under options and the corresponding lapse dates. Option and PR holders do not have any right, by virtue of the instrument, to participate in any share issue of the Company or any related body corporate.

Shares Issued as a Result of the Exercise of Options

During the financial year, employees and executives exercised 350,000 options.

Directors

The Directors of the Company at any time during or since the end of the financial year are listed below. During the year there were 11 Board meetings. The Board and Committee meetings attended by each Director were:

<table>
<thead>
<tr>
<th>Directors</th>
<th>Board Meetings</th>
<th>Board Attendance</th>
<th>Audit Committee Meetings</th>
<th>Audit Committee Attendance</th>
<th>Remuneration Meetings</th>
<th>Remuneration Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>James Calaway</td>
<td>11</td>
<td>11</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Richard Seville</td>
<td>11</td>
<td>11</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>John Gibson</td>
<td>11</td>
<td>11</td>
<td>2</td>
<td>2</td>
<td>-</td>
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</tr>
<tr>
<td>Courtney Pratt</td>
<td>11</td>
<td>11</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Fernando Oris de</td>
<td>11</td>
<td>10</td>
<td>2</td>
<td>2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Federico Nicholson</td>
<td>11</td>
<td>9</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Robert Hubbard</td>
<td>11</td>
<td>11</td>
<td>2</td>
<td>2</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Directors Report

Committee Membership

At the date of this report the Company has an Audit Committee and a Remuneration Committee. Members are as follows:

<table>
<thead>
<tr>
<th>Audit Committee</th>
<th>Remuneration Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>J. Gibson (c)</td>
<td>C. Pratt (c)</td>
</tr>
<tr>
<td>R. Hubbard</td>
<td>R. Hubbard</td>
</tr>
<tr>
<td>F. Oris de Roa</td>
<td>F. Nicholson</td>
</tr>
</tbody>
</table>

(c) Designed the Chairman of the committee

Mr Hubbard was previously the Chairman of the Audit Committee prior to being appointed Chairman of the Board. He is now a member of the Audit Committee and the Remuneration Committee. John Gibson has assumed the role of Chairman of the Audit Committee.

Indemnification of Officers

During the financial year the Company paid an insurance premium in respect of a contract insuring the Company’s past, present and future Directors, secretary or officer of the Company against liabilities arising as a result of work performed in their capacity as Director, secretary or officer of the Company. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of Directors and officers liability insurance contracts as such disclosure is prohibited under the terms of the contract. The Company Constitution also contains an indemnity provision in favour of each Director, Company Secretary and executive officers (or former officers) against liability incurred in this capacity, to the extent permitted by law.
Directors Report

Indemnification of auditors

The Company’s auditor is Ernst & Young. The Company has agreed with Ernst & Young, as part of its terms of engagement, to indemnify Ernst & Young against certain liabilities to third parties arising from the audit engagement. The indemnity does not extend to any liability resulting from a negligent, wrongful or wilful act or omission by Ernst & Young.

During the financial year, the Company has not paid any premium in respect to any insurance for Ernst & Young or a body corporate related to Ernst & Young and there were no officers of the Company who were former partners or directors of Ernst & Young, whilst Ernst & Young conducted audits of the Company.

Principal Activities

The principal activities of the Group during the year were in the production ramp up of the Company’s flagship Olaroz Lithium Facility and the operation of Borax Argentina SA.

Operating and Financial Review

The group’s profit/(loss) for the year, after applicable share of net losses of joint venture, income tax and non-controlling interests was (US$21,912,971) (2015:(US$844,411)). Group exploration and evaluation expenditure for the year totalled US$248,077 (2015: US$313,446). The Olaroz Joint Venture is operated through SDJ SA a 91.5% owned subsidiary of SDJ PTE, a Singaporean company that both Orocobre (72.68%) and TTC (27.32%) are shareholders in directly and indirectly respectively. The effective Olaroz Lithium Facility equity interest is Orocobre 66.5%, TTC 25.0% and Jujuy Energia y Minera Sociedad del Estado (JEMSE) 8.5%. A diagram of the joint venture is contained in the Review of Operations.
Directors Report

Since the creation of the joint venture between the Company and TTC, the Company has recognised its interest in the joint venture as an equity accounted investment. Under the equity method of accounting, Orocobre’s interest in the joint venture is recognised on the balance sheet at fair value. This carrying amount is then adjusted for subsequent equity investments, the Company’s share of profit or loss of the joint venture and any dividends received. As a result, capital expenditure by the joint venture and draw downs on the project financing facility will not be recognised directly in the Groups financial statements. However, financial statements of the joint venture SDJ PTE have been included in note 13 of the Group’s consolidated statements.

The Group changed its presentation currency from Australian dollars (AUD) to United States dollars (USD) in the current financial year. These changes will reduce the impact of movements in exchange rates on reported results and provide shareholders with a more accurate reflection of the Group’s and its Joint Venture’s underlying performance, given a large majority of its revenues are generated in USD.

Financial Position

The net assets of the Orocobre group increased to US$189,426,989 (2015: US$163,053,571) during the year to 30 June 2016, including cash balances of US$35,835,332 (2015: US$7,257,329). The main reasons for the increase in net assets is due to Capital Raising which took part during the year partially offset by the loss of translation resulted by the devaluation of the Argentine Peso and Australian Dollar against the US Dollar (please see the Company’s foreign currency translation policy as detailed in Note 1 “Summary of Significant Accounting Policies”).
Directors Report

**Significant Changes in the State of Affairs**

Other than matters mentioned in this report, there were no significant changes in the state of affairs of the Company during the financial year.

**Arbitration**

The Company previously advised Rio Tinto PLC that it considered Rio Tinto PLC to be in breach of certain warranties provided by Rio Tinto PLC to the Company pursuant to the Share Purchase Agreement for the acquisition of the shares of Borax Argentina S.A. Rio Tinto PLC referred the matter to arbitration. Arbitration proceedings have now concluded and the arbitrator has ruled in favour of RTM which has resulted in RTM’s legal costs of US$0.9M having to be borne by Orocobre. Such legal fees were paid post balance sheet date.

**Likely Developments and Expected Results**

The main area of the Company’s activity is the ramp up of production at the Olaroz Lithium Facility. The debottlenecking program was materially completed in January the same month operating cash cost breakeven was achieved. A cyclone bank will be installed by November which will allow the thickener, the last step in the purification circuit, to achieve the required throughput. The focus remains on continuing to develop good operating practice in order to achieve the production objectives. Minor capital will be spent to improve redundancy in the circuits and improve stability, recovery and overall performance. The development of the strategy for the next stage of expansion of production at Olaroz is underway with the scoping study due for completion in September. The Company has a number of organic growth opportunities to consider in addition to expansion of production at Olaroz. These include the production of lithium hydroxide and the extraction of boron and potash from the brine at Olaroz. The Company is currently reviewing the proprietary technology of Bateman Advanced Technologies (BAT) a subsidiary of Tenova S.p.A. for the production of lithium salts including lithium hydroxide directly from brines.
Directors Report

At Borax Argentina, during the year the borax pentahydrate plant was relocated to Tincalayu and decahydrate production capacity was increased by 30tpd. A modest expansion of the boric acid plant by 6tpd was also completed. Local financing was procured for both of these projects.

During the coming year the focus will be on maximising production in order to achieve a lower operating cost per unit for the production of refined borates at Tincalayu and at the boric acid plant. Production optimisation projects are also underway at the Sijes mineral operations.

The Company has been conducting a program in Borax Argentina to bring the historical estimates into line with JORC compliance. The program was completed at Porvenir in FY2014 and at Tincalayu in FY2015. Studies have commenced into a significant production expansion to a production capacity of 100-120,000 tpa at Tincalayu based on the new resource.

The Company is also cognisant of continuing to be aware of growth opportunities outside of organic growth opportunities such as acquisition and joint venture opportunities.

Risk Management

Orocobre’s business faces certain risks that could affect the success of the strategies and the outlook for future financial years. These include, but are not limited to, the ongoing development of good operating practice, optimisation of plant performance and the associated production ramp up and production of product within the required specification at the Olaroz Lithium Facility and the timing thereof; the achievement of the design production rate for lithium carbonate, the expected brine grade and the expected operating costs and recoveries at the Olaroz Lithium Facility and the comparison of such costs to expected global operating costs, the ongoing working relationship between Orocobre and the Province of Jujuy (JEMSE), TTC and Mizuho Bank and the meeting of relevant banking covenants in respect to the operation of the Olaroz Lithium Facility. With respect to Borax Argentina the risks associated with the business are the weaknesses in the
Directors Report

Company’s traditional markets and strong competition from other producers in these markets, challenges in developing new markets, and the implementation of unit cost reduction measures, local inflation and production. Other risks include Argentina sovereign risk both at a national and provincial level, changes in government regulations, policies or legislation, fluctuations or decreases in product prices and currency, the impact of inflation on local costs, the ongoing impact of devaluation of the AR$, risks associated with weather patterns and the impact on production rate. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Please also refer to the Caution Regarding Forward Looking Information statement.

The Company has in place risk management policies and systems to mitigate these risks wherever possible, including monitoring ongoing exploration results, monthly review of operational results for SDJ and Borax Argentina SA and continued discussions with JV partners and the government of Argentina. Within its operations in Argentina, the Company has instituted ISO 31000, Risk Management, to act comprehensively on all its areas of activity.

Environmental Regulation and Performance

The Company has operations in two provinces in Argentina, Jujuy and Salta. In Salta there are Provincial and National environmental regulations: Provincial Constitution (art. 30, 81, 82 y 83), Environmental Protection Provincial Law No. 7070 and Provincial Decree No 3097/00 and 1587/03 among others, Law No. 7017 of Waters Code of Salta Province and its regulatory decree, Provincial Law No 7141 of the Mining Procedure Code, National Constitution (art 41), General National Environmental Law No. 25.675 and National Law 24.585. The applicable authority in Salta is the Mining Secretary of the Province of Salta and Environmental Secretary of the Province of Salta.

In Jujuy there are both provincial and national environmental regulations: Provincial Constitution (art.22), Water Code of Jujuy, Law 3820 Wildlife Reserve of Fauna & Flora, Law 6002 Dangerous Residues Regulation, Decree 5772-P-2010, Provincial Environmental Law No. 5063, National

The applicable authority in Jujuy is the Provincial Department of Mining and Energy Resources (Dirección Provincial de Minería y Recursos Energeticos) and the Provincial Department of Environmental Quality (Dirección Provincial de Calidad Ambiental).

There have been no reportable environmental events under the regulations in Jujuy or Salta due to the Company’s activities. However, surface water has accumulated at Diablillos from the flow of brine from drill holes which were drilled prior to the purchase of Borax Argentina by the local operating subsidiary of Rodinia Lithium Ltd, Potasio y Litio de Argentina (“PLASA”). PLASA is currently owned by Lithium-X and Aberdeen International. PLASA has received a fine from the Salta government and has been stopped from exploring until the issue is rectified. PLASA has advised the Company that it is attending to remediation of the drill holes.

Within its’ operations in Argentina, the Company has instituted ISO 31000, Risk Management. This complements ISO 9001, Quality Assurance, ISO 14001 Environmental Management BS OHSAS 18001 Occupational Health and Safety Management System which had already been implemented in FY2012. Borax Argentina is already accredited under ISO 9001.

**Non-audit Services**

The Group’s auditor, Ernst & Young, provided the following non-audit services for Orocobre Limited.

<table>
<thead>
<tr>
<th>Service</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due diligence services</td>
<td>US$20,708</td>
<td>Nil</td>
</tr>
</tbody>
</table>

The directors are satisfied that the provision of non-audit is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The nature and scope of the non-audit services provided means that auditor independence was not compromised.
Directors Report

Auditor Independence

A copy of the auditor’s independence declaration as required under section 307C of the Corporations Act 2001 is contained within this report.

Corporate Governance Statements

The Company’s Corporate Governance Statement is available to view publicly on the Company’s website at www.orocobre.com.
Directors Report

Remuneration Report – Chairman’s Letter

Dear Shareholder,

We are writing this letter to provide some introductory comments to this year’s report. We were pleased with the 98.5% yes vote for last year’s report and that we have your continuing support for our remuneration philosophy, plans and practices.

We continue with a philosophy that our KMP’s and our non-executive directors should be remunerated at the median level of our analysis for relatively sized companies in similar businesses. We have changed our KMP group this year with the addition of Alex Losada as General Manager of Operations and the removal of David Hall for reasons related to change in his responsibilities, as explained in the report.

In keeping with our philosophy, we did provide fixed remuneration increases to our CEO and CFO during the course of the year to reflect the increasing complexity and size of our business and the demanding nature of their roles. We have also approved Short Term Incentive payments (STIP) to the CEO, CFO and General Counsel in recognition of their performance leading to the achievement of several significant objectives during the year ended 30 June 2016, as explained in the report. As you may recall, there were no STIP in FY2015. There have been no changes to non-executive director compensation.

We continue to be committed to communicating KMP and non-executive director remuneration arrangements in a simple, clear and transparent fashion. We consider the question and answer format to be particularly effective in this regard.

We once again assure you that the responsibility for governance and remuneration lies solely with the Board, supported by the Remuneration Committee. We have continued to be advised by Crichton & Associates during the year. The objectives of this governance approach continue to ensure that the practices and processes of the Company are sound and are driven by our guiding principles to deliver a world class, low cost industrial minerals and chemicals company for the benefit of our shareholders and other stakeholders.
Directors Report

The 2016 Remuneration Report follows this letter. The report forms part of the Directors’ Report and has been audited in accordance with Section 308(C) of the Corporations Act 2001. In addition to the statutory requirements, sections summarising remuneration for the year ended 30 June 2016 and anticipated changes for FY2017 have been included where appropriate.

The Board remains strongly committed to remuneration philosophy, policies and practices that are fair, competitive and responsible and to their transparent and clear communication. We will continue to work diligently to ensure that these standards are met.

Courtney Pratt
Non-Executive Director

Chairman, Remuneration Committee/ Lead Independent Director
Directors Report

Remuneration Report (audited)

The Directors of Orocobre Limited (“Orocobre or the Company”) present the Remuneration Report prepared in accordance with section 300A of the Corporations Act 2001. This Remuneration Report outlines the overall remuneration strategy, framework and practices adopted by the Company.

Key management personnel

In addition to the Non-Executive Directors, Key Management Personnel (KMP) are members of the leadership team who have the authority and responsibility for planning, directing and controlling the activities of Orocobre, directly or indirectly, during the year ended 30 June 2016.

The executive team has changed in 2016 with the appointment of Alex Losada as General Manager of Operations on 1 May 2016. From 1 July 2015 David Hall has not been designated as a KMP. David was previously designated a KMP because of his role in corporate development and hence the general management of the company. His role has changed as it now has a majority composition of sales and marketing work for the company’s products.

KMP of the Company for the financial year ended 30 June 2016 are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>James Calaway</td>
<td>Non-Executive Chairman</td>
<td>Full Year</td>
</tr>
<tr>
<td>Richard Seville</td>
<td>Managing Director &amp; CEO</td>
<td>Full Year</td>
</tr>
<tr>
<td>John Gibson</td>
<td>Non-Executive Director</td>
<td>Full Year</td>
</tr>
<tr>
<td>Courtney Pratt</td>
<td>Non-Executive Director</td>
<td>Full Year</td>
</tr>
<tr>
<td>Fernando Oris de Roa</td>
<td>Non-Executive Director</td>
<td>Full Year</td>
</tr>
<tr>
<td>Federico Nicholson</td>
<td>Non-Executive Director</td>
<td>Full Year</td>
</tr>
<tr>
<td>Robert Hubbard</td>
<td>Non-Executive Director</td>
<td>Full Year</td>
</tr>
<tr>
<td>Alex Losada</td>
<td>General Manager of Operations</td>
<td>Part Year (From 1 May 2016)</td>
</tr>
<tr>
<td>Neil Kaplan</td>
<td>Chief Financial Officer/ Joint Company Secretary</td>
<td>Full Year</td>
</tr>
<tr>
<td>Rick Anthon</td>
<td>General Counsel / Joint Company Secretary</td>
<td>Full Year</td>
</tr>
</tbody>
</table>
Directors Report

Changes since the end of the reporting period

James Calaway resigned from the position of non-executive chairman on 20 July 2016. Robert Hubbard was appointed to this position on the same date.

Structure and format of this report:

Remuneration information for executive KMP is reported in US Dollars (consistent with the remainder of the report, FY2015 was reported in Australian Dollars). Although the contractual arrangements are in Australian Dollars the Group’s presentation currency has changed to US Dollars during the year ended 30 June 2016. See “Introduction – what’s new in this report” in the Notes to the Financial Statements.

This Remuneration Report follows a “question and answer” format. This provides a mechanism by which the Company can answer questions which have been asked previously by shareholders and other stakeholders.

Orocobre’s Remuneration Report is divided in the following sections:

A Remuneration overview
B Role of the Remuneration Committee
C Most recent AGM Remuneration Report voting
D Non-Executive Director Remuneration
E Managing Director and Other executive KMP remuneration
F Relationship of incentives to Orocobre’s Operating and Financial Performance
G Service Agreements
H Details of Remuneration
I Share-Based Compensation Issues to the Non-Executive Directors and Executive KMP
Directors Report

A. Remuneration Overview

At Orocobre, remuneration for the KMP is determined by reviewing what is paid for similar roles in Australia. The Company’s remuneration philosophy is articulated in Orocobre’s Corporate Governance Charter Section D - Remuneration Committee Charter which provides that the Remuneration Committee will in accordance with clause D4 (a) of this Charter, ensure that the remuneration policies:

(1) Motivate Directors and Management to pursue the long-term growth and success of the Company within an appropriate control framework; and
(2) Demonstrate a clear relationship between key executive performance and remuneration.

Under clause D3 (b) paragraph (1) and (3) the Charter also state that:

(1) Management should be remunerated at an appropriate balance of fixed remuneration and performance based remuneration; and
(2) Any performance based remuneration should be clearly linked to specific performance targets which are aligned to the Company’s short and long-term performance objectives.

The Remuneration Committee has once again undertaken a detailed evaluation of its remuneration practices to ensure it remains contemporary and meets the objectives set out above. The Committee engaged the services of Crichton & Associates Pty Ltd during the year ended 30 June 2016. Their engagement was limited to a remuneration benchmark assessment of the Board and five (5) executive KMP, a brief review of the 2015 Remuneration Report and a valuation of Share Based Payments (SBP).

A summary of the outcomes of such advice is as follows:

(1) Non-executive Directors do not participate in any incentive programs including the LTI program.
(2) Non-executive Director fees were not increased.
Directors Report

Orocobre endeavours to adopt a fair and equitable approach to all remuneration decisions, mindful of the complexities of retaining and motivating an experienced team operating across diverse geographies in a complex operating environment. In implementing this philosophy, Orocobre needs to consider many variables, including:

(a) the remuneration paid by the Company’s peers (by reference to industry, market capitalisation and relevant geographic location);
(b) the Company’s performance over the relevant period;
(c) how to link remuneration to successful implementation of the Company’s strategy, including the annual targets which need to be achieved to implement that strategy;
(d) internal relativities and differentiation of pay based on performance;
(e) the demands placed on certain executives to work considerable periods of time overseas and outside normal working hours;
(f) the size, scale, location and complexity of the operations of the Company; and
(g) market developments and changes in remuneration practices.

B. Role of the Remuneration Committee

In accordance with best practice, the Remuneration Committee is comprised of Non-Executive Directors of which a majority are independent. It is chaired by an Independent Non-Executive Director other than the Chairman. The membership of the committee is comprised of Mr Courtney Pratt – Committee Chair, Mr James Calaway and Mr Federico Nicholson as detailed in the Directors’ Report. Since James Calaway’s departure on 20 July 2016, Robert Hubbard has been appointed to the Remuneration Committee. The Remuneration Committee’s role and interaction with the Board, internal and external advisors, is further illustrated below:
Directors Report

Remuneration Committee Charter

The Board

Reviews, applies judgment and, as appropriate, approves the Remuneration Committee’s recommendations

The Remuneration Committee

The Remuneration Committee operates under the delegated authority of the Board. The Remuneration Committee is able to source internal resources and to obtain independent professional advice it considers necessary to enable it to make recommendations to the Board on the following:

- Remuneration policy, strategy, quantum and mix of remuneration for executive KMP
- Remuneration policy and quantum for Non-Executive Directors
- People and talent management, policies and practices
- Superannuation arrangements
- Performance target setting and measurement for executive KMP
- Design and approval of employee and executive short and long term incentive programs

External Consultants

For each annual remuneration review cycle, the Remuneration Committee considers whether to appoint a remuneration consultant and, if so, their scope of work. The Remuneration Consultant table below provides details with respect to the remuneration consultant who provided remuneration recommendations and other remuneration related advice in relation to the remuneration outcomes set out in this Remuneration Report.

The table on the following page provides information regarding some of the remuneration advice and policies followed during the financial year.

Remuneration Consultant

<table>
<thead>
<tr>
<th>Question</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Did a remuneration consultant provide a remuneration recommendation in</td>
<td>Yes, Ian Crichton, remuneration consultant, with Crichton &amp; Associates Pty Ltd (Crichton), provided remuneration recommendations and remuneration related advice to the Remuneration Committee, including in relation to: the benchmarking against the Company’s peers, the maximum aggregate fee</td>
</tr>
<tr>
<td>relation to</td>
<td></td>
</tr>
</tbody>
</table>
any of the KMP for the financial year?

pool for Non-Executive Directors, valuation of long term incentives and advice on market trends relating to remuneration practices. The Remuneration Consultant has advised that there was no undue influence from any Committee Member or executive KMP on any of their work during the year (Crichton & Associates Pty Ltd is an Australian proprietary company experienced in Board and Executive remuneration).

| What was the remuneration consultant paid by the Company for remuneration related services? | Crichton was paid a total of US$7,600. |
| Did the remuneration consultant provide any other advice to the Company? | Yes, Crichton provided other advice to the Company. |
| Did the remuneration consultant provide any other advice to the Company? | Crichton was paid US$15,322 for other services. These services related to the provision of Valuation of LTI’s granted during the year, and reporting advice. |
| What arrangements did the Company make to ensure that the making of the remuneration recommendation would be free from undue influence by the KMP? | The Company made the following arrangements:  
  • The recommendations are solely made by the Remuneration Committee with limited liaison between Crichton and the CEO.  
  • The Company has implemented a procedure requiring the Remuneration Committee to have direct contact with Crichton for procuring advice relating to KMP remuneration. The procedure contained a process whereby the Remuneration Committee is responsible for the engagement, formally and in writing, of any remuneration consultants, the provision of information to the remuneration consultant, and the direct communication of remuneration recommendations, in writing.  
  • The remuneration consultant agreed to adhere to the protocol procedures and was required to advise the Remuneration Committee whether or not it had been subjected to undue influence. |
| Is the Board satisfied that the remuneration recommendation was free from any such undue influence? What are the reasons for the Board being satisfied? | Yes, the Board is satisfied. The reasons are as follows:  
  • The protocol with respect to the procurement of remuneration related advice was adhered to, including with respect to engagement of the remuneration consultant, the provision of information to the remuneration consultant and the communication of remuneration recommendations.  
  • The Remuneration Committee consulted on several occasions with the remuneration consultant in the absence of the executive KMP. There were no concerns raised by the remuneration consultant with respect to any undue influence. |
Directors Report

- The Remuneration Committee did not observe any evidence that undue influence had been applied.

C. Most recent AGM Remuneration Report voting

At the most recent Annual General Meeting held on 6 November 2015, 98.58% of votes cast at the meeting were in favour of the adoption of the Remuneration Report.

D. Non-Executive Director Remuneration

Objective

The objective is to set remuneration at a level which attracts and retains Non-Executive Directors of the requisite expertise and experience at a cost acceptable to shareholders.

Structure

The maximum aggregate remuneration of Non-Executive Directors is determined by the shareholders at a general meeting. The current aggregate fee pool is A$600,000 (US$444,125) which was established and approved at the 2012 AGM.

There were no changes made to the Non-Executives remuneration during the financial year and the total fees paid are within the current aggregate fee pool as detailed above. Fees to Non-Executive Directors retain a conservative bias and continue to be positioned at the ~25th percentile level identified in the peer benchmarking exercise.

In addition to his Non-Executive Director remuneration the former Chairman was paid a fee per annum for the performance of special functional duties additional to the normal scope of a Non-Executive Chairman. Details of additional duties are shown below.

Other Non-Executive Directors are paid a base fee only. No separate Committee fees are paid.

Non-Executive Directors do not participate in any short or long term incentive schemes of the Company.
Directors Report

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment which details remuneration arrangements.

Fees

Annualised fees for the relevant periods were as follows:

<table>
<thead>
<tr>
<th>Position – Non-Executive Directors</th>
<th>From 1 July 2015 to 30 June 2016 ¹</th>
<th>From 1 July 2014 to 30 June 2015 ¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>US$109,212</td>
<td>US$124,828</td>
</tr>
<tr>
<td>Other Non-Executive Directors</td>
<td>US$58,246</td>
<td>US$66,575</td>
</tr>
<tr>
<td>Additional Fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chairman</td>
<td>US$72,808</td>
<td>US$83,219 ²</td>
</tr>
</tbody>
</table>

¹ Average exchange rates used for the conversion from A$ to US$ are as follows:
   - July 2015 – June 2016 - 1 USD : 1.3735 AUD

² The additional fees paid to the former Chairman would be considered unusual for a Chairman under normal corporate governance. However the Board considered that, at this stage of development of the Company and taking into account the geographical spread of the Company’s activities, the complex nature of its business and the challenging political environment in which its operations occur, a more active involvement of the Chairman was historically warranted. The additional fee was to compensate Mr. James Calaway for his time, skills and expertise in undertaking a range of tasks on behalf of Orocobre, including:
   i. Due to the fact that the Company is dual listed in Canada and Australia, Mr. Calaway has been the primary Investor relations person supporting the North American markets.
   ii. Mr Calaway also has provided leadership on a number of possible corporate development opportunities which have arisen from the North American business sector.

These tasks were in addition to Mr Calaway’s responsibilities as Chairman. During the financial year, Orocobre has grown the capability of its management team and achieved a number of immediate milestones such as leading the Olaroz Lithium Facility into production and consolidated the restructure of its Borax operations. Mr Calaway resigned from the Board on 19 July 2016 and was succeeded by Robert Hubbard. Given the growing capability of the management team, the additional responsibilities and associated fees as mentioned above are not paid to Mr Hubbard, the current Chairman.

The table below provides further information in relation to fees paid to Non-Executive Directors and
other relevant issues.

### Non-Executive Director Remuneration

<table>
<thead>
<tr>
<th>Question</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has there been an increase in the fees paid to Non-Executive Directors considered since 2015?</td>
<td>No. There has been no change to the fees in FY2016.</td>
</tr>
<tr>
<td>How does the Company determine the appropriate level of fees?</td>
<td>The Company obtained external advice from a remuneration consultant, Crichton and Associates, in relation to Non-Executive Director fees. The Board considered the fees paid by selected relevant comparator companies in determining Non-Executive Director fees. This is the correlated with the skills, expertise and time commitment of each Director to ensure it is appropriate.</td>
</tr>
<tr>
<td>Why is the Chairman’s fee more than the base fee for Non-Executive Directors?</td>
<td>The Chairman’s fee also incorporates a component for duties which are considered more onerous than a Non-Executive Director. The responsibilities and time commitments of the other Non-Executive Directors are less onerous than those of the Chairman.</td>
</tr>
<tr>
<td>Are the Non-Executive Directors entitled to participate in Orocobre’s equity incentive schemes or paid any termination/retirement benefits?</td>
<td>No. The Board is aware that the provision of equity incentives is contrary to the ASX Corporate Governance guidelines. The Non-Executive Directors were not entitled to any short term incentives, long term incentives, equity based remuneration or termination/retirement benefits in FY2016. The Non-Executive Directors do not participate in such schemes.</td>
</tr>
<tr>
<td>Were the Special Functional Duties fees paid to the Chairman included as part of the aggregate fee pool for Non-Executive Directors?</td>
<td>No. The additional special function fees paid in accordance with the Company’s constitution have been considered as “special exertion” fees under the definition of ASX Listing Rule 10.17 and are excluded from the aggregate fee pool.</td>
</tr>
<tr>
<td>Have the Non-Executive Directors been paid any incentive or equity based payments or termination/retirement benefits?</td>
<td>In accordance with the shareholder approved 2011 AGM Resolutions 6 to11 the former Chairman and certain Directors were granted options for no consideration so as to better align the interests of the Company and these directors by providing an incentive to them to remain with the Company and increase Shareholder value. All Options issued have vested and will expire on 30th November 2016 unless exercised. The Non-Executive Directors have not since participated in any further issues and were not entitled to any short term incentives, long term incentives, equity based remuneration or termination/retirement benefits.</td>
</tr>
<tr>
<td>If Non-Executive Directors are paid additional fees, how are these additional fees calculated?</td>
<td>From time to time, Non-Executive Directors may be requested to provide additional services. In any such case, these additional fees are paid to the Non-Executive Director in accordance with the expected additional days deemed necessary to perform these services and only after approval by the CEO and the Remuneration Committee.</td>
</tr>
<tr>
<td>Are Non-Executive Directors’ fees going to increase in FY2017?</td>
<td>An external benchmarking report will be undertaken in FY2017 and Director fees considered in light of the growing size and complexity of the Group.</td>
</tr>
<tr>
<td>Is Superannuation included in Non-Executive Director fees?</td>
<td>Yes. Statutory superannuation is paid to the Australian resident Non-Executive Director and included in total fees paid up to the statutory maximum.</td>
</tr>
</tbody>
</table>
What other benefits are provided to Non-Executive Directors?

Non-Executive Directors receive reimbursement for any costs incurred directly related to Orocobre business on an approved basis.

Minimum shareholding guidelines

The Board has no approved minimum shareholding guidelines for Non-Executive Directors at the date of this Report.

E. Managing Director and Other Executive KMP Remuneration

Objective

As indicated in the following table regarding KMP remuneration objectives, Orocobre’s objective in structuring its remuneration for executive KMP is to cultivate a performance based culture where competitive remuneration, benefits and rewards are aligned with Orocobre’s objectives and where merit forms the basis of performance based pay and promotion. In addition, Orocobre seeks to attract, engage and retain high-calibre employees to meet the Company’s current and future business needs.

Structure

Remuneration consists of the following key elements:

(i) Fixed Remuneration (FR);

(ii) Short Term Incentive (STI); and

(iii) Long Term Incentive (LTI).

The amount and relative proportion of Fixed Remuneration (which includes superannuation contributions), STI and LTI is established for each executive following consideration by the Remuneration Committee of market levels of remuneration for comparable executive roles and the internal relativities between executive roles.

For the annual remuneration review which resulted in the outcomes detailed in this remuneration report, the Remuneration Committee received expert advice from Crichton and Associates as its independent external remuneration consultant.
Directors Report

Objectives
Orocobre’s executive KMP remuneration objectives and their interactions can be illustrated as follows:

<table>
<thead>
<tr>
<th>Orocobre executive KMP Remuneration Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Attract, motivate and</strong>&lt;br&gt;retain executives capable of operating across diverse geographies</td>
</tr>
<tr>
<td><strong>An appropriate balance of ‘fixed’ and ‘at risk’ components</strong></td>
</tr>
<tr>
<td><strong>Reward differentiation to drive performance values and behaviours</strong></td>
</tr>
<tr>
<td><strong>Shareholder value creation</strong></td>
</tr>
</tbody>
</table>

**Total target remuneration (TTR) is set by reference to the relevant markets and geographies**

<table>
<thead>
<tr>
<th><strong>Fixed</strong></th>
<th><strong>At risk</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed remuneration (FR)</strong></td>
<td><strong>Short-term incentives (STI)</strong></td>
</tr>
<tr>
<td>FR is set based on relevant market relativities, reflecting responsibilities, performance, qualifications, experience and geographic location</td>
<td>STI is set as a % of FR with performance criteria determined by the Board at the start of the performance year</td>
</tr>
</tbody>
</table>

**Remuneration will be delivered as:**

<table>
<thead>
<tr>
<th><strong>Fixed</strong></th>
<th><strong>At risk</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Base salary plus any fixed allowances related to local markets, plus superannuation or their local market equivalents</td>
<td>Paid in cash at the end of the relevant performance period subject to Board approval.</td>
</tr>
</tbody>
</table>

**Strategic intent and market positioning**

<table>
<thead>
<tr>
<th><strong>Fixed</strong></th>
<th><strong>At risk</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>FR will generally be positioned at the median to 75th percentile compared to relevant market based data considering expertise and performance in the role</td>
<td>Short term incentives are directed to achieving Board approved targets each year that reflect market circumstances and Orocobre’s stage of development.</td>
</tr>
</tbody>
</table>

**Total target remuneration**

TTR is intended to be positioned in the median to 75th percentile compared to relevant market benchmark comparisons. First quartile TTR may result if superior outperformance is achieved.
Directors Report

Remuneration Mix

As set out in the remuneration objectives above Orocobre intends to provide an appropriate mix of remuneration components balanced between fixed and ‘at risk’ components. The broad remuneration composition for Orocobre executive KMP in FY2016 and proposed for FY2017 can be illustrated as follows:

**Current Remuneration Mix – FY2016**

<table>
<thead>
<tr>
<th>Position</th>
<th>FR</th>
<th>STI</th>
<th>LTI</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO / Managing Director</td>
<td>42%</td>
<td>29%</td>
<td>29%</td>
</tr>
<tr>
<td>Other Executives</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Chief Financial Officer</td>
<td>55%</td>
<td>15%</td>
<td>30%</td>
</tr>
<tr>
<td>• General Manager of Operations</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>• General Counsel</td>
<td>49%</td>
<td>7%</td>
<td>44%</td>
</tr>
</tbody>
</table>

**Proposed Remuneration Mix – FY2017**

<table>
<thead>
<tr>
<th>Position</th>
<th>FR</th>
<th>STI</th>
<th>LTI</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO / Managing Director</td>
<td>Positioned at median market value</td>
<td>75% of Salary</td>
<td>75% of Salary</td>
</tr>
<tr>
<td>General Counsel</td>
<td>30% of Salary</td>
<td>60% of Salary</td>
<td></td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>30% of Salary</td>
<td>60% of Salary</td>
<td></td>
</tr>
<tr>
<td>General Manager of Operations</td>
<td>30% of Salary</td>
<td>60% of Salary</td>
<td></td>
</tr>
</tbody>
</table>

The remuneration mix will be assessed each year to ensure an appropriate weighting between fixed and variable ‘at risk’ elements and to ensure executive KMP remuneration is aligned to Orocobre’s short, medium and long term objectives.

An explanation of the individual elements of executive KMP remuneration is as follows:

(i) **Fixed Remuneration (FR)**

At Orocobre, the purpose of Fixed Remuneration is to provide a base level of remuneration which is market competitive and appropriate. Fixed Remuneration is inclusive of superannuation.
Directors Report

Fixed Remuneration is reviewed annually. Any adjustments to the Fixed Remuneration for the CEO and executive KMP must be approved by the Board which considers the recommendations of the Remuneration Committee.

**Changes in Fixed Remuneration for executive KMP during the year**

The Managing Director and Chief Financial Officer received an increase of 8.9% and 10.9% in their Total Fixed Remuneration to US$481,136 (A$650,000) and US$287,752 (A$388,725) to reflect the growth and increasing complexity of the Company. Based on Crichton and Associates independent external remuneration benchmark assessment, the prior year’s fixed remuneration was below the median of comparable company CEOs and CFOs. No fixed remuneration increase was provided to any other executive KMP.

(ii) *Short Term Incentives (STI)*

<table>
<thead>
<tr>
<th>Question</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is the STI?</td>
<td>The STI is the annual cash component of the “at-risk” reward opportunity, based predominantly on a mix of Company, operational and individual targets. The purpose is to link the achievement of the Company’s annual targets with the remuneration received by the responsible executive KMP. STI looks to reward exceptional performance and hence stretch targets are set to achieve maximum STI.</td>
</tr>
<tr>
<td>When is the STI paid?</td>
<td>The STI is calculated based on a financial year and the resulting value of the STI will be paid in September 2016 to all eligible participants who satisfied specific performance measures and hurdles set for FY2016 following the assessment process.</td>
</tr>
<tr>
<td>How does the Company’s STI structure support achievement of the Company’s strategy?</td>
<td>The STI strengthens the link between pay and performance. Annual targets are established by reference to the Company’s strategy of: growth through discovery, acquisition and development, operations that meet performance targets, optimisation of shareholder value and adherence to core values.</td>
</tr>
<tr>
<td>How are the performance conditions determined?</td>
<td>At the beginning of each financial year, a number of critical tasks linked to the Company’s strategy, including financial and non-financial measures of performance, are identified. The extent to which those targets are achieved determines the amount of STI paid.</td>
</tr>
</tbody>
</table>
Directors Report

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is a portion of STI deferred? Has the Board considered proposing claw-back provisions?</td>
<td>No. At this stage, the Board does not consider it appropriate to defer a portion of the STI. This is because key performance indicators are largely objective. However, the matter is considered on an annual basis. For similar reasons, the Board has thus far considered it unnecessary to include any claw-back arrangements.</td>
</tr>
</tbody>
</table>
| What were the performance conditions under the STI for executive KMP in FY2016? | The STI performance hurdles (and weighting %) for FY2016 are set out in the table below for the applicable KMP.  
- Chief Executive Officer/Managing Director – Richard Seville  
- Chief Financial Officer / Joint Company Secretary – Neil Kaplan  
- General Counsel / Joint Company Secretary– Rick Anthon  
Mr Alex Losada was not eligible for a STI in FY2016. |
| How are actual results measured against the performance hurdles? | For each performance hurdle the Remuneration Committee assesses the actual performance against the set targets and allocates the achieved percentage. Further information is provided in the table below. |

<table>
<thead>
<tr>
<th>STI Performance Conditions</th>
<th>Weighting %</th>
<th>Richard Seville</th>
<th>Neil Kaplan</th>
<th>Rick Anthon</th>
</tr>
</thead>
<tbody>
<tr>
<td>OLAROZ – Achieve a defined OPEX unit cost for the period Jan’ 16 to Jun’ 16</td>
<td>22.5%</td>
<td>17.5%</td>
<td>35%</td>
<td></td>
</tr>
<tr>
<td>OLAROZ – Produce a defined number of tonnes of Lithium Carbonate during FY2015</td>
<td>22.5%</td>
<td>17.5%</td>
<td>35%</td>
<td></td>
</tr>
<tr>
<td>BORAX Argentina - EBITDA</td>
<td>10%</td>
<td>7.5%</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>BORAX Argentina – Optimisation Project</td>
<td>10%</td>
<td>7.5%</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>Discretionary¹</td>
<td>35%</td>
<td>50%</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

¹ The relatively high discretionary component is due to the highly dynamic nature of the business and performance expectations at this stage of the Company’s development.

(iii) Long Term Incentives (LTI)

The LTI is the equity component of the at-risk reward opportunity of total remuneration. The objective of the LTI is:
- to provide an incentive to executive KMPs which promotes both the long term performance and growth of the Company;
- encourages the retention of the Company’s executives, and
- the attraction of new executives and/or officers to the group.

For FY2016, the Company provided the LTI to executive KMPs through the Performance Rights and Option
Plan (PROP). This plan was approved by shareholders at the 2012 Annual General Meeting. The Managing Director’s LTI grant was approved at a General Meeting of shareholders held on 6th November 2015.

The remuneration table in section H provide details of LTI grants to executive KMPs. The tables also detail the vesting periods and lapses under the PROP. The following table summarises the key features of the LTI issued to the executive KMPs for the year ended 30 June 2016.

### Performance Rights and Option Plan

<table>
<thead>
<tr>
<th>Question</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is the PROP?</td>
<td>Introduced in November 2012, the PROP is a contemporary equity incentive plan which allows the Company to provide either Performance Rights or Options to eligible and invited employees, subject to the terms of the plan. PROP is supported by the Orocobre Employee Share Scheme Trust which has been established to facilitate and manage the issue or acquisition of shares on the settlement of vested Rights or Options, if any.</td>
</tr>
<tr>
<td>How does the PROP align the interests of shareholders and executives?</td>
<td>The PROP links rewards for executives to the Company’s strategy which drives the creation of long term shareholder wealth – the greater the performance of the Company, the greater the return to the executives; and vesting of shares only occurs with the successful completion of performance requirements and time based conditions as determined by the Board.</td>
</tr>
<tr>
<td>How does the PROP support the retention of executives?</td>
<td>An objective of offering equity incentives under the PROP is to assist in the reward, retention and motivation of eligible and invited key executives. If an executive resigns they would forfeit the benefit of those unvested rewards unless the Board determines otherwise. There is a 3 year vesting period.</td>
</tr>
<tr>
<td>What are the principal terms of the issue made under the PROP in 2016?</td>
<td>Under the PROP in 2016 the KMP’s were invited to apply for Performance Rights. The rights were granted on 6th November 2016. The vesting date for the performance rights is the later of 31 August 2018 or date of release of the company’s financial results for the 2017/2018 financial year. Vesting of the 2016 Performance Rights are subject to the matrix of outcomes as set out in section F – Long Term Incentives. The shares acquired on vesting of Performance Rights, if any, will be at no cost to the KMP’s as long as they meet the conditions.</td>
</tr>
<tr>
<td>Question</td>
<td>Answer</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Can performance conditions be retested?</td>
<td>No. Performance conditions will be tested at the vesting date and if the performance conditions have not been met, the Options and/or Rights will lapse.</td>
</tr>
<tr>
<td>Can participants secure or mortgage Rights or Options under PROP?</td>
<td>No. Participants cannot secure, mortgage or create a lien in respect of their interests in PROP.</td>
</tr>
<tr>
<td>Does the executive obtain the benefit of dividends paid on shares issued under the PROP?</td>
<td>No. Options and Performance Rights are not entitled to dividends or other distributions. Shares acquired on vesting and exercise of Performance Rights or Options will be ordinary securities and entitled to dividends, if any. No dividends apply before vesting and exercise.</td>
</tr>
</tbody>
</table>
| In what circumstances would the PROP entitlements be forfeited?           | Unless the Board otherwise determines, the Rights and Options will lapse on the earlier of:  
1. The cessation of the employment of the participant.  
2. The vesting conditions are not achieved or are incapable of being achieved by the participant.  
3. The Board determines that the vesting conditions have not been met prior to the expiry date.  
4. The expiry date (last exercise date). |
| What happens to LTI entitlements upon a change of control in the Company? | In the event of a takeover or change of control, any unvested Performance Rights will vest immediately.                                                                                                                                                                                                                                 |
| Do shares issued under the PROP dilute existing shareholders’ equity?     | Yes, the issue of shares under PROP can have a small dilutionary impact. Currently, the number of Performance Rights or Options granted under this Plan must not exceed, when aggregated with any shares issued during the previous 5 years pursuant to any other employee share scheme operated by the Company, a maximum of 5% of the total issued capital of the Company at the time of the grant, excluding unregulated offers. Offers made that rely on Class Order 14/1000 (effective from October 2014) will not exceed 5% of shares on issue as a result of any offers made during the previous 3 year period. |
| Are the shares issued on exercise of Options or Rights under the PROP bought on market? | Whether the Company settles Options or Rights from a new issue or by on-market purchase will usually be determined by the Board, at the time of vesting and exercise.                                                                                                                                                                        |
| What other rights does the holder of the shares have?                    | Subject to the conditions and restrictions attaching to the shares, acquired on vesting and exercise of Rights and Options, the holder of the shares has the same rights as any other holder of ordinary shares. This includes voting rights, a right to dividends, dividend reinvestment, bonus shares, rights issues and notice of meetings. |
Directors Report

<table>
<thead>
<tr>
<th>Does the Company have Executive Minimum Share Ownership Guidelines?</th>
<th>The Company does not have a formal policy requiring executives to own shares.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can executive KMP hedge to ensure that they obtain a benefit from unvested LTI’s?</td>
<td>No. All executive KMP have been advised that under section 206J of the Corporations Act it is an offence for them to hedge unvested grants made under the PROP.</td>
</tr>
</tbody>
</table>

**F. Relationship of Incentives to Orocobre’s Operating and Financial Performance**

The fundamental aim of Orocobre is to create benefit for shareholders by establishing operations that produce high quality products from relatively low capital and low operating cost operations. The Company is equally committed to achieving excellence in sustainability practices ensuring the safety, health and wellbeing of its employees, and responsibly managing the impacts to the communities and the environment within which it operates. Accordingly, remuneration is linked to sustainability performance at all levels of the organisation to reinforce sustainability as a core value.

In terms of Orocobre’s performance over the course of FY2016, it should be noted that Orocobre’s share price fluctuated over the course of FY16. It ended the year at A$4.79 (US$3.56) per share and the 52 week daily closing share price ranged from A$1.33 (US$1) to A$5.04 (US$3.67) per share.

The Share Price / EPS Performance table below shows the performance for the Company as measured by its share price and market capitalisation over the last ten financial years. The graph below shows the complete historical movement in the share price and market capitalisation against the evolution of the ASX 300 Index. Over the past 12 months the market capitalisation has increased by 216% and share price has increased by 128% in comparison to the prior year in Australian Dollar terms. A capital raising was completed in February /March 2016 with the issue of 40,476,190 ordinary shares at an issue price of A$2.10.
## Directors Report

### Share Price / EPS Performance

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A$ per share</td>
<td>$0.25</td>
<td>$0.46</td>
<td>$0.59</td>
<td>$1.70</td>
<td>$2.06</td>
<td>$1.85</td>
<td>$1.39</td>
<td>$2.26</td>
<td>$2.10</td>
<td>$4.79</td>
</tr>
<tr>
<td>US$ market capitalisation (‘000)</td>
<td>11.49</td>
<td>18.50</td>
<td>31.92</td>
<td>131.47</td>
<td>227.57</td>
<td>195.56</td>
<td>149.47</td>
<td>280.94</td>
<td>244.85</td>
<td>746.49</td>
</tr>
<tr>
<td>Basic Earnings / Loss Per Share (EPS) (US cents)*</td>
<td>N/A</td>
<td>$(0.95)</td>
<td>$(2.09)</td>
<td>$(4.90)</td>
<td>$(1.86)</td>
<td>$(2.83)</td>
<td>$84.45</td>
<td>$(4.03)</td>
<td>(0.59)</td>
<td>(11.92)</td>
</tr>
<tr>
<td>US$ profit/(loss) (‘000)</td>
<td>N/A</td>
<td>$(399)</td>
<td>$(1,111)</td>
<td>$(3,673)</td>
<td>$(1,769)</td>
<td>$(2,920)</td>
<td>$94,775</td>
<td>$(5,093)</td>
<td>$(845)</td>
<td>$(21,913)</td>
</tr>
<tr>
<td>S&amp;P ASX 300</td>
<td>6486</td>
<td>5219</td>
<td>3949</td>
<td>4293</td>
<td>4608</td>
<td>4084</td>
<td>4759</td>
<td>5339</td>
<td>5401</td>
<td>5195</td>
</tr>
</tbody>
</table>

*Basic EPS is calculated as net profit / (loss) after tax and non-controlling interests (statutory profit / (loss)) divided by the weighted average number of ordinary shares.*

![Oroobre Historical Share Price, Market Capitalisation and S&P/ASX 300 Index (rebased)](image-url)
Relationship of executive KMP remuneration and performance

FY2016 performance and impact on remuneration.

The Group’s performance in FY2016 was strong with several key milestones being achieved:

- Orocobre’s share price started the year at AU$2.10 and finished the year at AU$4.79 achieving a total growth of 128%.
- The production ramp up process at Olaroz Lithium Facility was well advanced by the end of the financial year.
- Sales prices for Lithium products steadily increased during the year by 100% FOB net of commissions and logistic costs.
- Operating cash costs at the Olaroz Lithium Facility of ~US$3,500/t was achieved by 30 June 2016.
- The relocation and construction of Borax Argentina’s chemical plant from Campo Quijano to Tincalayu Mine was finalised during FY2016. The ramp up in production from the relocated plant was slower than expected which reduced saleable Borax product inventories and associated sales.
- A range of specific objectives and strategies were achieved individually by the CEO, CFO, and GC.

As a result of the strong performance of the Group reflected by the growth in the share price, the Board awarded the KMP’s short-term incentives in the range of 19% to 52% of fixed remuneration (see “Basis of assessment performance – FY2016” below for performance conditions satisfied).

The relationship between their “at risk” remuneration and Orocobre’s performance can be explained as follows:

**Short Term Incentives**

<table>
<thead>
<tr>
<th>Position</th>
<th>FY</th>
<th>STI Opportunity US$</th>
<th>STI Accrued / Paid</th>
<th>% Achieved</th>
<th>Forfeited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seville (CEO)</td>
<td>2016</td>
<td>$297,602 (75% of Salary)</td>
<td>$56,465</td>
<td>19%</td>
<td>81%</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>$340,157 (75% of Salary)</td>
<td>$0</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>Kaplan (CFO)</td>
<td>2016</td>
<td>$69,895 (30% of Salary)</td>
<td>$50,601</td>
<td>72%</td>
<td>28%</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>$79,890 (30% of Salary)</td>
<td>$0</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>Anthon (GC)</td>
<td>2016</td>
<td>$34,402 (15% of Salary)</td>
<td>$6,558</td>
<td>19%</td>
<td>81%</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>$39,321 * (30% of Salary)</td>
<td>$0</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Directors Report

<table>
<thead>
<tr>
<th>Losada (GMO)</th>
<th>2016</th>
<th>$0</th>
<th>$0</th>
<th>$0</th>
<th>0%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

* STI Opportunities represent 6 month period due to employment commencing 1 January 2015

**Basis of assessment of performance – FY2016**

- Olaroz – Achieve an OPEX unit cost of US$2,900/t for the period January to June 2016 (CEO, CFO, GC);
- Olaroz – Achieve completion test (CEO, CFO, GC);
- Borax Argentina – Results achieved against EBITDA FY16 (CEO, CFO, GC);
- Borax Argentina – Completion of Optimisation Projects (CEO, CFO, GC); and
- Achievement of specific objectives and strategies set by the Board (CEO, CFO, GC).

**Basis of assessment of performance – FY2015**

- Olaroz – Achieve an OPEX unit cost of US$2,700/t for the period January to June 2015 (CEO, CFO, BDM, GC);
- Olaroz - Produce 7,500 metric tonnes of Lithium Carbonate during FY 2015 (CEO, CFO, BDM, GC);
- Borax Argentina – Results achieved against EBITDA FY15 (CEO, CFO, BDM, GC); and
- Achievement of specific objectives and strategies set by the Board (CEO, CFO, BDM, GC).

**Changes in Short Term Incentives for executive KMP**

During the year the Chief Financial Officer was allocated a once-off bonus of US$14,805 (A$20,000) as a result of various financial and other successful initiatives achieved during the year including restructuring the local Argentine Peso debt with USD debt.

The General Counsel’s “at risk” remuneration mix changed during the year to better align the incentives with the key objectives of the role. As a result of this, his Short Term Incentive was reduced to a maximum of 15% of fixed remuneration (30% previously, and his Long Term Incentive was increased to a maximum of 100% of fixed remuneration (60% previously).

**Long Term Incentives**

Long term equity incentive grants to selected key executives, including executive KMP, are considered on an annual basis. The value granted of LTI grants are calculated on a set percentage of FR (excluding superannuation).
*The value at grant date calculated in accordance with AASB 2 Share-based Payment of awards granted during the year as part of remuneration

1. LTI granted to the CEO was for a 2 year period (FY2014 & FY2015). The LTI granted for FY2014 was not approved until the Nov’ 14 AGM and allocated in FY2015 along with the FY2015 LTI.

2. In addition to his ongoing responsibilities of legal counsel Mr Anthon has been tasked with corporate development. Given the long term objectives of this role to align incentives to objectives the Long Term Incentive was increased to a maximum of 100% of fixed remuneration in FY2016.

3. The value of FR for the GC is for a 6 month period during FY2015.

4. The value of FR for the GMO is zero as he joined the Group at the end of FY2016

LTI grants outstanding at the date of this report to executive KMP are summarised as follows:
The performance conditions applicable to each grant are summarised as follows:

(1) 8.33% - Olaroz construction cost results achieved against defined thresholds;
     8.33% - Olaroz operating cost results achieved against defined thresholds;
     8.34% - Olaroz design production rates achieved against defined thresholds;
     25% - Borax Argentina results achieved against EBITDA for FY2016
     50% - ORE TSR outperformance relative to the ASX 300 Resources Index

(2)

<table>
<thead>
<tr>
<th>TSR Hurdle: Absolute (50% of LTI Grant)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company TSR performance over the Measurement Period and subject to meeting the following compound annual rate thresholds.</td>
</tr>
<tr>
<td>Greater than 12.5% return per annum</td>
</tr>
<tr>
<td>Greater than 10.0% return per annum</td>
</tr>
<tr>
<td>At least 7.5% return per annum</td>
</tr>
<tr>
<td>Less than 7.5% return per annum</td>
</tr>
</tbody>
</table>

Interpolated vesting on a straight line where the return per annum is between 7.5% and 12.5%.

<table>
<thead>
<tr>
<th>TSR Hurdle: Relative (50% of LTI Grant)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company TSR performance over the Measurement Period relative to the constituent companies of the ASX300 Resources Index subject to the following thresholds.</td>
</tr>
<tr>
<td>Greater than 75th percentile</td>
</tr>
<tr>
<td>Equal to or greater than 50th percentile</td>
</tr>
<tr>
<td>Less than 50th percentile</td>
</tr>
</tbody>
</table>

Interpolated vesting on a straight line between the 50th and 75th percentile.

LTI and Company performance

At the date of this report none of the LTI grants have yet vested. All grants remain subject to demanding service and performance conditions set down and which are in-line with contemporary market standards.
Directors Report

Achievement against the targets set will be independently assessed at the first available dates to determine the vesting percentages, if any.

G. Service Agreements

Remuneration and other key terms of employment for the CEO and other executive KMP are formalised in a service agreement. The table below provides a high level overview of conditions relating to the term of the contract, the notice period to terminate and the termination benefit.

<table>
<thead>
<tr>
<th>Name and Title</th>
<th>Term of Agreement</th>
<th>Notice Period by Either Party</th>
<th>Termination Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Richard Seville, CEO/Managing Director</td>
<td>Open</td>
<td>6 months</td>
<td>12 months fixed remuneration</td>
</tr>
<tr>
<td>Neil Kaplan, Chief Financial Officer</td>
<td>Open</td>
<td>6 months</td>
<td>6 months fixed remuneration</td>
</tr>
<tr>
<td>Alex Losada, General Manager of Operations</td>
<td>Open</td>
<td>6 months</td>
<td>6 month fixed remuneration</td>
</tr>
<tr>
<td>Rick Anthon, General Counsel</td>
<td>Open</td>
<td>6 months</td>
<td>6 months fixed remuneration</td>
</tr>
</tbody>
</table>

Terms of agreement and associated benefits were agreed at the time the executive KMP commenced with Orocobre or upon promotion. Termination Benefits are voided when termination arises due to breach of agreement, serious misconduct, criminal offence or negligence.

H. Details of Remuneration

Details of the nature and amount of each major element of the remuneration of each KMP stated in US$ is as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Short-term Employee Benefits</th>
<th>Sub-total</th>
<th>Non-cash Benefits Accrued</th>
<th>Total Remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Directors Fees/Base Salary</td>
<td>Short Term Incentive</td>
<td>Retirement Benefits / Superannuation</td>
<td>Cash Benefits Received</td>
</tr>
<tr>
<td>James Calaway</td>
<td>182,020</td>
<td>-</td>
<td>-</td>
<td>182,020</td>
</tr>
<tr>
<td>2016</td>
<td>182,020</td>
<td>-</td>
<td>-</td>
<td>182,020</td>
</tr>
<tr>
<td>2015</td>
<td>208,047</td>
<td>-</td>
<td>-</td>
<td>208,047</td>
</tr>
<tr>
<td>Courtney Pratt</td>
<td>58,246</td>
<td>-</td>
<td>-</td>
<td>58,246</td>
</tr>
<tr>
<td>2016</td>
<td>58,246</td>
<td>-</td>
<td>-</td>
<td>58,246</td>
</tr>
<tr>
<td>2015</td>
<td>66,575</td>
<td>-</td>
<td>-</td>
<td>66,575</td>
</tr>
<tr>
<td>John Gibson</td>
<td>58,246</td>
<td>-</td>
<td>-</td>
<td>58,246</td>
</tr>
<tr>
<td>2016</td>
<td>58,246</td>
<td>-</td>
<td>-</td>
<td>58,246</td>
</tr>
<tr>
<td>2015</td>
<td>66,575</td>
<td>-</td>
<td>-</td>
<td>66,575</td>
</tr>
</tbody>
</table>
### Directors Report

#### CEO/Managing Director

<table>
<thead>
<tr>
<th>Name</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD</td>
<td>AUD</td>
</tr>
<tr>
<td>Richard Seville</td>
<td>414,490</td>
<td>56,465</td>
</tr>
<tr>
<td></td>
<td>25,483</td>
<td>496,438</td>
</tr>
<tr>
<td></td>
<td>8,534</td>
<td>176,441</td>
</tr>
<tr>
<td></td>
<td>28,665</td>
<td>237,487</td>
</tr>
<tr>
<td></td>
<td>58,246</td>
<td>723,500</td>
</tr>
</tbody>
</table>

#### Other Executive KMP

<table>
<thead>
<tr>
<th>Name</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD</td>
<td>AUD</td>
</tr>
<tr>
<td>Neil Kaplan</td>
<td>247,228</td>
<td>50,601</td>
</tr>
<tr>
<td></td>
<td>21,842</td>
<td>319,671</td>
</tr>
<tr>
<td></td>
<td>8,534</td>
<td>176,441</td>
</tr>
<tr>
<td></td>
<td>25,483</td>
<td>496,438</td>
</tr>
<tr>
<td></td>
<td>4,613</td>
<td>107,379</td>
</tr>
<tr>
<td></td>
<td>28,665</td>
<td>237,487</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD</td>
<td>AUD</td>
</tr>
<tr>
<td></td>
<td>229,344</td>
<td>6,558</td>
</tr>
<tr>
<td></td>
<td>21,788</td>
<td>257,690</td>
</tr>
<tr>
<td></td>
<td>3,640</td>
<td>76,715</td>
</tr>
<tr>
<td></td>
<td>7,816</td>
<td>138,886</td>
</tr>
<tr>
<td></td>
<td>4,613</td>
<td>107,379</td>
</tr>
<tr>
<td></td>
<td>4,613</td>
<td>107,379</td>
</tr>
<tr>
<td></td>
<td>28,665</td>
<td>237,487</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD</td>
<td>AUD</td>
</tr>
<tr>
<td></td>
<td>34,584</td>
<td>3,285</td>
</tr>
<tr>
<td></td>
<td>37,869</td>
<td>2,742</td>
</tr>
<tr>
<td></td>
<td>28,665</td>
<td>237,487</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Managing Director &amp; Other Exec.</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>925,646</td>
<td>1,076,718</td>
</tr>
<tr>
<td>AUD</td>
<td>113,624</td>
<td>69,096</td>
</tr>
</tbody>
</table>

### Notes to previous tables:

‡ Due to the average exchange rates used for conversion, the USD translated remuneration appears lower in FY 2016 compared to FY 2015. The average exchange rates used for the conversion from A$ to US$ are as follows:

- July 2015 – June 2016: 1 USD = 1.3735 AUD

‡ The CEO and CFO received an increase in base salary effective January 2016 to reflect the growth and increasing complexity of the Company. This increase was only proposed by the Board after careful consideration, including external independent assessment and in recognition of the increasing complexity of the role. The uplift brings the CEO and CFO’s fixed remuneration in line with approximately the median of the market and takes into account the success of the incumbent CEO and CFO in their roles, the broader and deeper workload required as a result of moving through very
Directors Report

exacting transitions in a complex geographical environment and the Company now in production at Olaroz. The Board believes the revised level of remuneration for the CEO and CFO’s is both fair and reasonable, all things being considered.

1) Annual leave/LSL represent the net movement in amounts provided for annual leave during the year ended 30 June 2016. LSL is the net movement in amounts recorded for LSL when they become applicable.

2) The value for Long Term Incentives presented in the tables above is calculated in accordance with AASB 2 Share Based Payment and represents securities issued under the LTI equity plans that have been expensed during the current year. The fair values of long term incentives have been calculated by an independent third party.

3) The STI for FY2015 was nil, based on STI KPIs not being met.

The table below shows the proportion of the total actual remuneration that is linked to performance and the proportion that is fixed:

<table>
<thead>
<tr>
<th>Name</th>
<th>Fixed remuneration</th>
<th>At risk - STI</th>
<th>At risk - LTI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Non-executive Directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>James Calaway</td>
<td>100%</td>
<td>100%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>John Gibson</td>
<td>100%</td>
<td>100%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Courtney Pratt</td>
<td>100%</td>
<td>100%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fernando Oris de Roa</td>
<td>100%</td>
<td>100%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Federico Nicholson</td>
<td>100%</td>
<td>100%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rob Hubbard</td>
<td>100%</td>
<td>100%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>CEO/Managing Director</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Richard Seville</td>
<td>61%</td>
<td>58%</td>
<td>8%</td>
<td>-</td>
</tr>
<tr>
<td>Other executive KMP</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Neil Kaplan</td>
<td>55%</td>
<td>65%</td>
<td>10%</td>
<td>-</td>
</tr>
<tr>
<td>Rick Anthon</td>
<td>75%</td>
<td>83%</td>
<td>2%</td>
<td>-</td>
</tr>
<tr>
<td>David Hall</td>
<td>-</td>
<td>67%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Alex Losada</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Directors Report

I. Share-Based Compensation Issues to the Non-Executive Directors and Executive KMP

The table below highlights the movement in Rights (including Options) for the Non-Executive Directors and executive KMP in 2016.

<table>
<thead>
<tr>
<th>Name</th>
<th>Grant Date</th>
<th>Type</th>
<th>Balance at 1 July 2015</th>
<th>Rights granted (ii) / (v)</th>
<th>Rights exercised (i) / (iii)</th>
<th>Rights lapsed (iv)</th>
<th>Balance at 30 June 2016</th>
<th>Vested &amp; Exercisable</th>
<th>Unvested</th>
<th>Loan Amount US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>James Calaway</td>
<td>30 Nov 2011</td>
<td>Options</td>
<td>150,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>150,000</td>
<td>150,000</td>
<td>-</td>
<td>Nil</td>
</tr>
<tr>
<td>Total number</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total value US$</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>John Gibson</td>
<td>30 Nov 2011</td>
<td>Options</td>
<td>100,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>100,000</td>
<td>100,000</td>
<td>-</td>
<td>Nil</td>
</tr>
<tr>
<td>Total number</td>
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<tr>
<td>Total value US$</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Courtney Pratt</td>
<td>30 Nov 2011</td>
<td>Options</td>
<td>100,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>100,000</td>
<td>100,000</td>
<td>-</td>
<td>Nil</td>
</tr>
<tr>
<td>Total number</td>
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<td></td>
<td></td>
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<td></td>
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<tr>
<td>Total value US$</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fernando Oris de Roa</td>
<td>30 Nov 2011</td>
<td>Options</td>
<td>100,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>100,000</td>
<td>100,000</td>
<td>-</td>
<td>Nil</td>
</tr>
<tr>
<td>Total number</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total value US$</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federico Nicholson</td>
<td>30 Nov 2011</td>
<td>Options</td>
<td>100,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>100,000</td>
<td>100,000</td>
<td>-</td>
<td>Nil</td>
</tr>
<tr>
<td>Total number</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total value US$</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Options granted on 30 November 2011 expire on 30 November 2016 and have an exercise price of AU$2.03.
## Movement during the year

<table>
<thead>
<tr>
<th>Grant Date</th>
<th>Type</th>
<th>Balance at 1 July 2015</th>
<th>Rights granted (ii) / (v)</th>
<th>Rights exercised (i) / (iii)</th>
<th>Rights lapsed (iv)</th>
<th>Balance at 30 June 2016</th>
<th>Vested &amp; Exercisable</th>
<th>Unvested</th>
<th>Loan Amount US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>21 Mar 2013</td>
<td>Options</td>
<td>301,092</td>
<td></td>
<td>301,092</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Nil</td>
</tr>
<tr>
<td>21 Mar 2013</td>
<td>Performance Rights</td>
<td>140,792</td>
<td></td>
<td>140,792</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Nil</td>
</tr>
<tr>
<td>23 Jan 2015</td>
<td>Performance Rights</td>
<td>160,658</td>
<td></td>
<td>-</td>
<td>-</td>
<td>160,658</td>
<td>-</td>
<td>-</td>
<td>Nil</td>
</tr>
<tr>
<td>30 Jan 2015</td>
<td>Performance Rights</td>
<td>150,039</td>
<td></td>
<td>-</td>
<td>-</td>
<td>150,039</td>
<td>-</td>
<td>-</td>
<td>Nil</td>
</tr>
<tr>
<td>6 Nov 2016</td>
<td>Performance Rights</td>
<td>-</td>
<td>244,380</td>
<td>-</td>
<td>-</td>
<td>244,380</td>
<td>150,039</td>
<td>-</td>
<td>Nil</td>
</tr>
</tbody>
</table>

**Total number**

996,961 244,380 441,884 555,077 555,077

**Total value US$**

$672,162 $222,467 $217,986 $718,719 $718,719

---

## As at 30 June 2016

<table>
<thead>
<tr>
<th>Grant Date</th>
<th>Type</th>
<th>Balance at 1 July 2015</th>
<th>Rights granted (ii) / (v)</th>
<th>Rights exercised (i) / (iii)</th>
<th>Rights lapsed (iv)</th>
<th>Balance at 30 June 2016</th>
<th>Vested &amp; Exercisable</th>
<th>Unvested</th>
<th>Loan Amount US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 Apr 2014</td>
<td>Performance Rights</td>
<td>197,080</td>
<td></td>
<td>-</td>
<td>-</td>
<td>197,080</td>
<td>-</td>
<td>-</td>
<td>Nil</td>
</tr>
<tr>
<td>30 Jan 2015</td>
<td>Performance Rights</td>
<td>70,477</td>
<td></td>
<td>-</td>
<td>-</td>
<td>70,477</td>
<td>-</td>
<td>-</td>
<td>Nil</td>
</tr>
<tr>
<td>6 Nov 2016</td>
<td>Performance Rights</td>
<td>-</td>
<td>114,791</td>
<td>-</td>
<td>-</td>
<td>114,791</td>
<td>-</td>
<td>-</td>
<td>Nil</td>
</tr>
</tbody>
</table>

**Total number**

267,557 114,791 382,348 382,348

**Total value US$**

$351,605 $104,498 $478,113 $478,113

---

## Additional Directors

<table>
<thead>
<tr>
<th>Grant Date</th>
<th>Type</th>
<th>Balance at 1 July 2015</th>
<th>Rights granted (ii) / (v)</th>
<th>Rights exercised (i) / (iii)</th>
<th>Rights lapsed (iv)</th>
<th>Balance at 30 June 2016</th>
<th>Vested &amp; Exercisable</th>
<th>Unvested</th>
<th>Loan Amount US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 Jan 2015</td>
<td>Performance Rights</td>
<td>69,376</td>
<td></td>
<td>-</td>
<td>-</td>
<td>69,376</td>
<td>-</td>
<td>-</td>
<td>Nil</td>
</tr>
<tr>
<td>6 Nov 2016</td>
<td>Performance Rights</td>
<td>-</td>
<td>188,330</td>
<td>-</td>
<td>188,330</td>
<td>188,330</td>
<td>-</td>
<td>-</td>
<td>Nil</td>
</tr>
</tbody>
</table>

**Total number**

69,376 188,330 257,706 257,706
Directors Report

| Total value US$ | $86,542 | $171,443 | - | - | $263,402 | - | $263,402 |

‡ Total value in US$ is based on Grant value, not current Market value.

*Section 300(1) of the Corporations Act 2001 (Cth) requires additional disclosure for the KMP executives which is detailed in the following table - Shareholdings of Key Management Personnel.

(i) No amounts are unpaid on any shares issued on the exercise of Options.

(ii) The value at grant date reflects the fair value of the Right multiplied by the number of Rights granted during the period converted using the exchange rate at the date of grant.

(iii) The value at exercise date of the securities that were granted as part of remuneration and were exercised during the year, being the value of the share at the date of exercise less the exercise price and less the fair value of the Right at grant date multiplied by the number of rights exercised converted using the exchange rate at the date of exercise.

(iv) The value at lapse date of the securities that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied.

(v) The fair values of long term incentives have been calculated by Crichton and Associates, an independent third party valuer.

The table below summarises the details of the grants and assumptions that were used in determining the fair value of Options and Rights on the grant date.

<table>
<thead>
<tr>
<th>Input Variable</th>
<th>Options</th>
<th>Performance Rights</th>
<th>Performance Rights</th>
<th>Performance Rights</th>
<th>Performance Rights</th>
<th>Performance Rights</th>
<th>Performance Rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation Model</td>
<td>Binomial Approximation</td>
<td>Binomial Approximation</td>
<td>Monte Carlo Simulation</td>
<td>Binomial Approximation</td>
<td>Monte Carlo Simulation</td>
<td>Monte Carlo Simulation</td>
<td>Monte Carlo Simulation</td>
</tr>
<tr>
<td>Exercise Price</td>
<td>$2.53</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Share Price (Date terms agreed)</td>
<td>$2.23</td>
<td>$2.23</td>
<td>$2.23</td>
<td>$2.67</td>
<td>$2.67</td>
<td>$2.67</td>
<td>$2.67</td>
</tr>
<tr>
<td>Expected Life (Days)</td>
<td>1,250</td>
<td>854</td>
<td>854</td>
<td>1,095</td>
<td>1,095</td>
<td>1,095</td>
<td>1,095</td>
</tr>
<tr>
<td>Expected Volatility</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Expected Dividend Yield</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Expected Risk Free Rate</td>
<td>2.84%</td>
<td>2.84%</td>
<td>2.84%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.53%</td>
<td>2.53%</td>
</tr>
<tr>
<td>Fair Value (Average)</td>
<td>$0.77</td>
<td>$2.23</td>
<td>$1.59</td>
<td>$2.67</td>
<td>$2.33</td>
<td>$1.58</td>
<td>$1.95</td>
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</tbody>
</table>
## Directors Report

<table>
<thead>
<tr>
<th>Input Variable</th>
<th>Performance Rights</th>
<th>Performance Rights</th>
<th>Performance Rights</th>
<th>Performance Rights</th>
<th>Performance Rights</th>
<th>Performance Rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vesting Date</td>
<td>31 Aug 2017</td>
<td>31 Aug 2017</td>
<td>31 Aug 2018</td>
<td>31 Aug 2018</td>
<td>31 Aug 2018</td>
<td>31 Aug 2018</td>
</tr>
<tr>
<td>Valuation Model</td>
<td>Monte Carlo Simulation</td>
<td>Monte Carlo Simulation</td>
<td>Monte Carlo Simulation</td>
<td>Monte Carlo Simulation</td>
<td>Monte Carlo Simulation</td>
<td>Monte Carlo Simulation</td>
</tr>
<tr>
<td>Exercise Price</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Share Price</td>
<td>$2.74</td>
<td>$2.74</td>
<td>$1.79</td>
<td>$1.79</td>
<td>$2.50</td>
<td>$2.50</td>
</tr>
<tr>
<td>(Date terms agreed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected Life (Days)</td>
<td>1,095</td>
<td>1,095</td>
<td>1,095</td>
<td>1,095</td>
<td>1,095</td>
<td>1,095</td>
</tr>
<tr>
<td>Expected Volatility</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Expected Dividend Yield</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Expected Risk Free Rate</td>
<td>2.09%</td>
<td>2.09%</td>
<td>1.97%</td>
<td>1.97%</td>
<td>1.88%</td>
<td>1.88%</td>
</tr>
<tr>
<td>Fair Value (Average)</td>
<td>1.59</td>
<td>1.98</td>
<td>1.08</td>
<td>1.37</td>
<td>1.48</td>
<td>1.89</td>
</tr>
</tbody>
</table>

### Shareholdings of Key Management Personnel

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>James D. Calaway</td>
<td>8,841,563</td>
<td>-</td>
<td>-</td>
<td>8,841,563</td>
</tr>
<tr>
<td>Richard P. Seville</td>
<td>5,076,500</td>
<td>-</td>
<td>-</td>
<td>5,076,500</td>
</tr>
<tr>
<td>John W. Gibson</td>
<td>25,000</td>
<td>-</td>
<td>-</td>
<td>25,000</td>
</tr>
<tr>
<td>Courtney Pratt</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fernando Oris de Roa</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Federico Nicholson</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Robert Hubbard</td>
<td>22,183</td>
<td>-</td>
<td>-</td>
<td>22,183</td>
</tr>
<tr>
<td>Neil Kaplan</td>
<td>25,883</td>
<td>-</td>
<td>25,000</td>
<td>50,883</td>
</tr>
<tr>
<td>Rick Anthon</td>
<td>702,527</td>
<td>-</td>
<td>24,617</td>
<td>727,144</td>
</tr>
<tr>
<td>Total</td>
<td>14,693,656</td>
<td>-</td>
<td>55,500</td>
<td>14,749,156</td>
</tr>
</tbody>
</table>

*Includes shares held directly, indirectly, and beneficially by KMP*
Directors Report

The Director’s Report incorporating the Remuneration Report is signed in accordance with a resolution of the Board of Directors.

Robert Hubbard
Chairman
Signed: 19th September 2016

Richard P. Seville
Managing Director
Auditor’s Independence Declaration to the Directors of Orocobre Limited

As lead auditor for the audit of Orocobre Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Orocobre Limited and the entities it controlled during the financial year.

Ernst & Young

Kellie McKenzie
Partner
19 September 2016
CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 June 2016
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2016

<table>
<thead>
<tr>
<th>Note</th>
<th>Consolidated Group</th>
<th>30 June</th>
<th>30 June</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2016 US $</td>
<td>2015 US $</td>
</tr>
<tr>
<td></td>
<td>Sale of goods</td>
<td>15,526,762</td>
<td>19,400,154</td>
</tr>
<tr>
<td></td>
<td>Cost of goods sold</td>
<td>(14,527,116)</td>
<td>(19,091,914)</td>
</tr>
<tr>
<td></td>
<td>Gross profit</td>
<td>999,646</td>
<td>308,240</td>
</tr>
<tr>
<td>2a</td>
<td>Other income</td>
<td>3,036,154</td>
<td>1,798,866</td>
</tr>
<tr>
<td>2b</td>
<td>Corporate expenses</td>
<td>(6,609,601)</td>
<td>(5,778,578)</td>
</tr>
<tr>
<td>2c</td>
<td>Administrative expenses</td>
<td>(6,940,594)</td>
<td>(5,466,999)</td>
</tr>
<tr>
<td>2d</td>
<td>Finance income</td>
<td>3,294,786</td>
<td>1,072,559</td>
</tr>
<tr>
<td>2e</td>
<td>Finance costs</td>
<td>(2,820,285)</td>
<td>(2,069,225)</td>
</tr>
<tr>
<td>13</td>
<td>Share of net losses of joint venture</td>
<td>(11,000,508)</td>
<td>(189,486)</td>
</tr>
<tr>
<td>2f</td>
<td>Foreign currency loss</td>
<td>(2,552,260)</td>
<td>8,654,541</td>
</tr>
<tr>
<td></td>
<td>Loss before income tax</td>
<td>(22,592,662)</td>
<td>(1,670,082)</td>
</tr>
<tr>
<td>3</td>
<td>Income tax benefit</td>
<td>634,438</td>
<td>800,485</td>
</tr>
<tr>
<td></td>
<td>Loss for the year</td>
<td>(21,958,224)</td>
<td>(869,597)</td>
</tr>
</tbody>
</table>

Other comprehensive loss
(Items that may be reclassified subsequently to profit and loss)

<table>
<thead>
<tr>
<th>Note</th>
<th>Consolidated Group</th>
<th>30 June</th>
<th>30 June</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Translation loss on foreign operations</td>
<td>(35,444,872)</td>
<td>(20,332,818)</td>
</tr>
<tr>
<td>18</td>
<td>Net loss on revaluation of derivative</td>
<td>(715,942)</td>
<td>(2,533,122)</td>
</tr>
<tr>
<td></td>
<td>Other comprehensive loss for the year, net of tax</td>
<td>(36,160,814)</td>
<td>(22,865,940)</td>
</tr>
<tr>
<td></td>
<td>Total comprehensive loss for the period</td>
<td>(58,119,038)</td>
<td>(23,735,537)</td>
</tr>
</tbody>
</table>

Loss attributable to:
Members of the parent entity | (21,912,971) | (844,411) |
Non-controlling interest | (45,253) | (25,186) |
| Total comprehensive loss attributable to: | (21,958,224) | (869,597) |
Members of the parent entity | (57,869,753) | (23,805,403) |
Non-controlling interest | (249,285) | 69,866 |
| Total comprehensive loss attributable to: | (58,119,038) | (23,735,537) |

Basic earnings/(loss) per share (cents per share) | 4 | (11.92) | (0.59) |
Diluted earnings/(loss) per share (cents per share) | 4 | (11.92) | (0.59) |

The accompanying notes form part of these financial statements.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2016

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>6</td>
<td>35,835,332</td>
<td>7,257,329</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>7</td>
<td>7,715,483</td>
<td>7,328,587</td>
</tr>
<tr>
<td>Inventory</td>
<td>8</td>
<td>6,493,836</td>
<td>8,516,330</td>
</tr>
<tr>
<td>Other</td>
<td>15</td>
<td>15,964</td>
<td>12,828</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>5</td>
<td>50,060,615</td>
<td>23,116,074</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NON-CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td>9</td>
<td>36,685,683</td>
<td>37,524,760</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>10</td>
<td>14,976,848</td>
<td>13,150,577</td>
</tr>
<tr>
<td>Exploration, evaluation and development asset</td>
<td>11</td>
<td>6,167,681</td>
<td>8,571,652</td>
</tr>
<tr>
<td>Investment in joint ventures</td>
<td>13</td>
<td>35,061,038</td>
<td>77,493,510</td>
</tr>
<tr>
<td>Inventory</td>
<td>6</td>
<td>594,622</td>
<td>116,019</td>
</tr>
<tr>
<td>Deferred tax asset</td>
<td>3</td>
<td>2,081,576</td>
<td>2,098,009</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>7</td>
<td>70,199,473</td>
<td>31,731,524</td>
</tr>
<tr>
<td><strong>Total Non-Current Assets</strong></td>
<td>165,766,921</td>
<td>170,676,051</td>
<td>139,216,769</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>215,827,536</td>
<td>193,792,125</td>
<td>176,597,476</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>14</td>
<td>10,112,569</td>
<td>13,865,618</td>
</tr>
<tr>
<td>Loans and borrowings</td>
<td>9</td>
<td>2,026,955</td>
<td>2,088,208</td>
</tr>
<tr>
<td>Employee benefit liabilities</td>
<td>16</td>
<td>585,983</td>
<td>872,532</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>12,725,507</td>
<td>16,826,358</td>
<td>10,121,440</td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>NON-CURRENT LIABILITIES</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
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<td>726,877</td>
<td>1,135,807</td>
</tr>
<tr>
<td>Loans and borrowings</td>
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<td>1,044,437</td>
<td>612,770</td>
</tr>
<tr>
<td>Employee benefit liabilities</td>
<td>16</td>
<td>1,272,151</td>
<td>1,569,572</td>
</tr>
<tr>
<td>Deferred tax liability</td>
<td>3</td>
<td>973,502</td>
<td>1,177,388</td>
</tr>
<tr>
<td>Provisions</td>
<td>15</td>
<td>9,658,073</td>
<td>9,420,659</td>
</tr>
<tr>
<td><strong>Total Non-Current Liabilities</strong></td>
<td>13,675,040</td>
<td>13,912,196</td>
<td>15,913,895</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>26,400,547</td>
<td>30,738,554</td>
<td>26,035,335</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td>189,426,989</td>
<td>163,053,571</td>
<td>150,562,141</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued capital</td>
<td>17</td>
<td>242,248,318</td>
<td>158,459,067</td>
</tr>
<tr>
<td>Reserves</td>
<td>18</td>
<td>(111,792,955)</td>
<td>(76,539,378)</td>
</tr>
<tr>
<td>Retained profits</td>
<td>60,283,436</td>
<td>82,196,407</td>
<td>83,040,818</td>
</tr>
<tr>
<td>Parent interest</td>
<td>190,738,799</td>
<td>164,116,096</td>
<td>151,694,532</td>
</tr>
<tr>
<td>Non controlling interest</td>
<td>1,311,810</td>
<td>(1,062,525)</td>
<td>(1,132,391)</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td>189,426,989</td>
<td>163,053,571</td>
<td>150,562,141</td>
</tr>
</tbody>
</table>

The accompanying notes form part of these financial statements.
# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2016

<table>
<thead>
<tr>
<th>Issued Capital</th>
<th>Retained Profits/ (Accumulated Losses)</th>
<th>Option Reserve</th>
<th>Foreign Currency Translation Reserve</th>
<th>Cash Flow Hedge Reserve</th>
<th>Other Reserves</th>
<th>Non controlling Interests</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note 17</td>
<td>US $</td>
<td>US $</td>
<td>Note 18</td>
<td>Note 18</td>
<td>Note 18</td>
<td>Note 18</td>
<td>US $</td>
</tr>
<tr>
<td>Balance at 1 July 2014</td>
<td>123,007,267</td>
<td>83,040,818</td>
<td>1,721,753</td>
<td>(53,946,280)</td>
<td>(1,973,411)</td>
<td>(155,615)</td>
<td>(1,132,391)</td>
</tr>
<tr>
<td>Loss for the period</td>
<td>(844,411)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive loss for the period</td>
<td>-</td>
<td>-</td>
<td>(20,427,870)</td>
<td>(2,533,122)</td>
<td>-</td>
<td>95,052</td>
<td>(22,865,940)</td>
</tr>
<tr>
<td>Total comprehensive loss</td>
<td>(844,411)</td>
<td>-</td>
<td>(20,427,870)</td>
<td>(2,533,122)</td>
<td>-</td>
<td>95,052</td>
<td>(22,865,940)</td>
</tr>
<tr>
<td>Shares issued during the year</td>
<td>38,250,154</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transaction costs, net of tax</td>
<td>(2,798,354)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Options expensed during the period</td>
<td>-</td>
<td>899,553</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Increase in wealth tax</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance at 30 June 2015</td>
<td>158,459,067</td>
<td>82,196,407</td>
<td>2,621,306</td>
<td>(74,374,150)</td>
<td>(4,506,533)</td>
<td>(280,001)</td>
<td>(1,062,525)</td>
</tr>
<tr>
<td>Loss for the period</td>
<td>(21,912,971)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive loss for the period</td>
<td>-</td>
<td>-</td>
<td>(35,240,840)</td>
<td>(715,942)</td>
<td>-</td>
<td>(204,032)</td>
<td>(36,160,814)</td>
</tr>
<tr>
<td>Total comprehensive loss</td>
<td>(21,912,971)</td>
<td>-</td>
<td>(35,240,840)</td>
<td>(715,942)</td>
<td>-</td>
<td>(204,032)</td>
<td>(36,160,814)</td>
</tr>
<tr>
<td>Shares issued during the period</td>
<td>86,101,840</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transaction costs, net of tax</td>
<td>(2,312,589)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Options expensed during the period and other movements</td>
<td>-</td>
<td>604,062</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Decrease in wealth tax</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>99,143</td>
<td>-</td>
</tr>
<tr>
<td>Balance at 30 June 2016</td>
<td>242,248,316</td>
<td>60,283,436</td>
<td>3,225,368</td>
<td>(109,614,990)</td>
<td>(5,222,475)</td>
<td>(180,858)</td>
<td>(1,311,810)</td>
</tr>
</tbody>
</table>

The accompanying notes form part of these financial statements.
CONSOLIDATED STATEMENT OF CASH FLOWS  
for the period ended 30 June 2016

<table>
<thead>
<tr>
<th>Note</th>
<th>Consolidated Group</th>
<th>30 June</th>
<th>30 June</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2016 US $</td>
<td>2015 US $</td>
</tr>
<tr>
<td></td>
<td>Receipts from customers</td>
<td>13,008,891</td>
<td>16,091,760</td>
</tr>
<tr>
<td></td>
<td>Payments to suppliers and employees</td>
<td>(22,897,010)</td>
<td>(25,784,541)</td>
</tr>
<tr>
<td></td>
<td>Interest received</td>
<td>2,024,656</td>
<td>287,818</td>
</tr>
<tr>
<td></td>
<td>Interest paid</td>
<td>(2,216,358)</td>
<td>(1,361,173)</td>
</tr>
<tr>
<td></td>
<td>Other cash receipts</td>
<td>4,197,938</td>
<td>2,975,341</td>
</tr>
<tr>
<td></td>
<td><strong>Net cash used in operating activities</strong></td>
<td><strong>(5,881,883)</strong></td>
<td><strong>(7,790,795)</strong></td>
</tr>
<tr>
<td></td>
<td>Payments for exploration expenditure</td>
<td>11</td>
<td>(248,077)</td>
</tr>
<tr>
<td></td>
<td>Payment for subsidiary net of cash (acquired in 2012)</td>
<td></td>
<td>(1,691,441)</td>
</tr>
<tr>
<td></td>
<td>Purchase of property, plant and equipment</td>
<td>10</td>
<td>(3,544,026)</td>
</tr>
<tr>
<td></td>
<td>Proceeds from sale of property plant and equipment</td>
<td>2a</td>
<td>105,785</td>
</tr>
<tr>
<td></td>
<td>Investment in joint venture</td>
<td></td>
<td>(4,192,727)</td>
</tr>
<tr>
<td></td>
<td><strong>Net cash used in investing activities</strong></td>
<td><strong>(9,570,486)</strong></td>
<td><strong>(3,196,392)</strong></td>
</tr>
<tr>
<td></td>
<td>Proceeds from standby letters of credit (SBLC's) on behalf of joint venture</td>
<td></td>
<td>250,000</td>
</tr>
<tr>
<td></td>
<td>Proceeds from issue of shares net of transaction costs</td>
<td></td>
<td>82,472,407</td>
</tr>
<tr>
<td></td>
<td>Net proceeds from borrowings</td>
<td></td>
<td>1,722,555</td>
</tr>
<tr>
<td></td>
<td>Loan to joint venture</td>
<td></td>
<td>(38,081,765)</td>
</tr>
<tr>
<td></td>
<td><strong>Net cash provided by financing activities</strong></td>
<td><strong>46,363,197</strong></td>
<td><strong>(4,942,335)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Net increase in cash held</strong></td>
<td><strong>30,910,828</strong></td>
<td><strong>(15,929,522)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Cash and cash equivalents at beginning of year</strong></td>
<td>5,695,429</td>
<td>24,231,195</td>
</tr>
<tr>
<td></td>
<td><strong>Effect of exchange rates on cash holdings in foreign currencies</strong></td>
<td>(1,548,591)</td>
<td>(2,606,244)</td>
</tr>
<tr>
<td></td>
<td><strong>Cash at end of year</strong></td>
<td>6</td>
<td>35,057,666</td>
</tr>
</tbody>
</table>

The accompanying notes form part of these financial statements.
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 30 June 2016

Introduction - what’s new in this report

Change in presentation currency

The Group changed its presentation currency from Australian dollars (AUD) to United States dollars (USD) in the current financial year. The financial report for the year ended 30 June 2016 is the first full year financial report with results in USD. These changes will reduce the impact of movements in exchange rates on reported results and provide shareholders with a more accurate reflection of the Group’s and its Joint Venture’s underlying performance, given a large majority of its revenues are generated in USD.

Statutory financial information included in the financial report for the year ended 30 June 2015, previously reported in Australian dollars has been retrospectively restated into USD using the procedures outlined below:
- assets and liabilities denominated in non-USD currencies were translated into USD at the closing rates of exchange on the relevant balance sheet date;
- non-USD income and expenditure were translated at the average rates of exchange prevailing for the relevant period;
- reserves were translated at the historical rates of exchange prevailing on the date of each transaction.

Foreign Currency Translation

The Group’s consolidated financial statements are presented in USD, which is the Parent’s presentation currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group’s entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the Group’s net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into the presentation currency USD at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the average exchange rate for each month of the financial year. Equity and reserves are translated at the historical rates of exchange prevailing on the date of each transaction. The exchange differences arising on translation for consolidation purposes are recognised in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

In preparation of the financial statements the following exchange rates have been used to translate from the functional currency of each entity to the reporting currency of the Group:

<table>
<thead>
<tr>
<th>Business</th>
<th>Functional Currency</th>
<th>Spot Rates</th>
<th>30 June 2016</th>
<th>30 June 2015</th>
<th>Movement (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orocobre Limited</td>
<td>AUD</td>
<td>Peso -&gt; USD 1</td>
<td>15.0400</td>
<td>9.0880</td>
<td>(65.49%)</td>
</tr>
<tr>
<td>Sales de Jujuy Pte Ltd</td>
<td>USD</td>
<td>Peso -&gt; AUD 1</td>
<td>11.1936</td>
<td>6.9872</td>
<td>(60.20%)</td>
</tr>
<tr>
<td>Sales de Jujuy S.A.</td>
<td>USD</td>
<td>AUD -&gt; USD 1</td>
<td>1.3436</td>
<td>1.3007</td>
<td>(3.30%)</td>
</tr>
<tr>
<td>South American Salar Minerals Pty Ltd</td>
<td>AUD</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South American Salar S.A.</td>
<td>ARS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borax Argentina Holding No 1 Pty Ltd</td>
<td>AUD</td>
<td>Peso -&gt; AUD 1</td>
<td>11.9825</td>
<td>8.5995</td>
<td>(39.34%)</td>
</tr>
<tr>
<td>Borax Argentina Holding No 2 Pty Ltd</td>
<td>AUD</td>
<td>Peso -&gt; AUD 1</td>
<td>8.7432</td>
<td>7.1799</td>
<td>(21.77%)</td>
</tr>
<tr>
<td>Orocobre Brasil</td>
<td>USD</td>
<td>AUD -&gt; USD 1</td>
<td>1.3735</td>
<td>1.2017</td>
<td>(14.30%)</td>
</tr>
</tbody>
</table>

Change from construction to production at Olaroz

Whilst Olaroz continued its ramp up towards achieving nameplate capacity at 30 June 2016, the Lithium Facility has reached steady state production and commercial sales volumes during the second half of the financial year. Sales de Jujuy SA (“SDJ”) has moved into production from an accounting and reporting perspective from 1 May 2016.

From such date:
- Revenue is recognised in the income statement,
- Depreciation of fixed assets will commence,
- Capitalisation of costs, including interest, ceases and ongoing operating costs are expensed.
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 30 June 2016

Introduction - what's new in this report (continued)

Change in functional currency
Functional currency of the joint venture has been largely aligned to the currency in which the entity is geographically located during the “construction period”. As a result, appreciation/devaluation between currencies has historically had a significant impact on the overall net assets of the Group when translating SDJ's assets and liabilities into Sales de Jujuy PTE (“PTE”) USD presentational currency and the Group’s previous AUD presentation currency.

The beginning of the stabilisation of the Argentine Economy, and Olaroz moving into the production phase with USD denominated sales has been a primary trigger to change SDJ's functional currency from Argentine Peso (Peso) to USD.

Based on the above triggers, and in line with the move to “production” SDJ has adopted a USD functional currency from 1 May 2016.

These consolidated financial statements and notes represent those of Orocobre Limited (the "Company" or the "Parent") and Controlled Entities (the "consolidated Group" or "Group").

The separate financial statements of the parent entity, Orocobre Limited, have been presented within this financial report in Note 26.

The financial statements were authorised for issue on 19 September 2016 by the directors of the company.

The nature of the operations and principal activities of the Group are described in the directors' report.

NOTE 1: Summary of Significant Accounting Policies

Basis of preparation
The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Australian Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of business. The Company continually monitors its cash flow requirements to ensure that sufficient funds are available to fund its activities.

The financial report is presented in USD and all values are rounded to the nearest dollar unless otherwise stated.

Compliance with IFRS
The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:
- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.
NOTE 1: Summary of Significant Accounting Policies (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of AASB 139, it is measured in accordance with the appropriate Australian Accounting Standard. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognised for all taxable temporary differences except:
- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of tangible assets in a tax loss carry forward, the temporary differences can reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.
Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

**Tax consolidation legislation**

Orocobre Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2005.

The head entity, Orocobre Limited and the controlled entities in the tax consolidated Group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated Group.

In addition to its own current and deferred tax amounts, Orocobre Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as contribution to (or distribution from) wholly-owned tax consolidated entities.

**Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST (or overseas, Value-Added Tax (VAT)), except:

- When the GST incurred on a sale or a purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable
- When receivables and payables are stated at the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST (or VAT) recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing or financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

**Inventories**

The Company states inventories for the lower of cost and net realisable value. The cost price of finished products and products in progress includes the direct cost of materials and, when applicable, labor costs, indirect costs incurred to transform raw materials into finished products, and general expenses incurred in carrying inventories to their current location and conditions. The method used to determine the cost of inventories is weighted average cost.

Commercial discounts, rebates obtained, and other similar entries are deducted in the determination of the acquisition price.

The net realisable value represents the estimate of the sales price, less all finishing estimated costs and costs which will be incurred in commercialisation, sales, and distribution processes.

The Company conducts an evaluation of the net realisable value of inventories at the end of each year, recording an estimate with a charge to income when these are overstated. When a situation arises whereby the circumstances, which previously caused the rebate to cease to exist, or when there is clear evidence of an increase in the net realisable value due to a change in the economic circumstances or prices of main raw materials, the estimate made previously is modified.

The valuation of obsolete, impaired or slow-moving products relates to their net estimated, net realisable value.

Raw materials, supplies and materials are recorded at the lower of acquisition cost or market value. Acquisition cost calculated according to the average price method.

**Property, Plant and Equipment**

Tangible property, plant and equipment assets are stated at acquisition cost, net of the related accumulated depreciation, amortisation and impairment losses that might have experienced.

In addition to the price paid for the acquisition of tangible property, plant and equipment, the Company has considered the following concepts as part of the acquisition cost, as applicable:

1. Accrued interest expenses during the construction period which are directly attributable to the acquisition, construction or production of qualifying assets, which are those that require a substantial period prior to being ready for use. The interest rate used is that related to the project’s specific financing or, should this not exist, the average financing rate of the investor company.

2. The future costs that the Company will have to experience, related to the closure of its facilities at the end of their useful life, are included at the present value of disbursements expected to be required to settle the obligation.

Extension, modernisation or improvement costs that represent an increase in productivity, ability or efficiency or an extension of the useful lives of property, plant and equipment are capitalised as a higher cost of the related assets. All the remaining maintenance, preservation and repair expenses are charged to expense as incurred.
NOTE 1: Summary of Significant Accounting Policies (continued)

The replacement of full assets, which increase the asset’s useful life or its economic capacity, are recorded as a higher value of property, plant and equipment with the related derecognition of replaced or renewed elements.

Gains or losses which are generated from the sale or disposal of property, plant and equipment are recognised as income (or loss) in the period, and calculated as the difference between the asset’s sales value and its net carrying value.

Costs derived from daily maintenance of property, plant and equipment are recognised when incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to critical accounting estimates and judgements (Note 1) and provisions (Note 15) for further information about the recognised decommissioning provision.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated through the straight-line distribution of cost over the estimated technical useful life of the asset which is the period in which the Company expects to use the asset. When components of one item of property, plant and equipment have different useful lives, they are recorded as separate assets. Useful lives are reviewed on an annual basis.

The useful lives used for the depreciation and amortisation of assets included in property, plant and equipment are presented below.

- Buildings: 20 to 30 years
- Plant and equipment: 5 to 10 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Investment in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group’s investment in its joint venture is accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group’s share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of comprehensive income reflects the Group’s share of the results of operations of the joint venture. Any change in other comprehensive income of those investees is presented as part of the Group’s other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group’s share of profit or loss of a joint venture is shown on the face of the statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss as ‘Share of profit of a joint venture’ in the statement of comprehensive income.
NOTE 1: Summary of Significant Accounting Policies (continued)

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Transactions with non-controlling interests

Non-controlling interests are recorded in the consolidated statement of financial position within equity separate from equity attributable to the owners of the Parent.

Current versus Non-Current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:
- Expected to be realised or intended to sold or consumed in the Group’s normal operating cycle
- Held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- Cash or cash equivalent unless from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current.

A liability is current when:
- It is expected to be settled in the Group’s normal operating cycle
- It is held primarily for the purpose of trading
- Cash or cash equivalent unless from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Financial Instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognised initially at fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by AASB 139.

The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of comprehensive income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit and loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs for loans and finance income for receivables.
NOTE 1: Summary of Significant Accounting Policies (continued)

**Held-to-maturity investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs.

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily de-recognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

**Impairment of financial assets**

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a Group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of comprehensive income. Interest income (recorded as finance income on the statement of comprehensive income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

**Available for sale (AFS) financial investments**

For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a Group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income – is removed from other comprehensive income and recognised in the statement of comprehensive income. Impairment losses on equity investments are not reversed through the statement of comprehensive income, increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income.
Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, loans and borrowings, including bank overdrafts, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, described as follows:

- **Financial liabilities at fair value through profit or loss**
  - Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.
  - Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.
  - Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 139 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

- **Loans and borrowings**
  - After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.
  - Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

- **Financial guarantee contracts**
  - Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

- **Derecognition**
  - A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

- **iv) Offseting of financial instruments**
  - Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

- **Derivative financial instruments and hedge accounting**

  **Initial recognition and subsequent measurement**

  The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

  Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss.

  For the purpose of hedge accounting, hedges are classified as:
  - Fair value hedges: when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
  - Cash flow hedges: when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
  - Hedges of a net investment in a foreign operation
NOTE 1: Summary of Significant Accounting Policies (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as described below:

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of comprehensive income as other operating expenses.

The Group uses interest rate swaps as hedges of its exposure to interest rate risk in forecast transactions. The ineffective portion relating to interest rate swap contracts is recognised in finance costs.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

In the current period and prior periods, the Group had no direct derivative financial instrument, but recorded its share of the joint venture's cash flow hedge revaluation through other comprehensive income.

Fair Value Measurement
The Group measures certain financial instruments, such as, available for sale assets and derivatives, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies are analysed by the audit committee.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Impairment of Non-Financial Assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets in which case the asset is allocated to its appropriate CGU. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount.
NOTE 1: Summary of Significant Accounting Policies (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on budgets and forecast calculations, which are prepared separately for each of the Group’s CGUs to which the individual assets are allocated.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset’s or CGU’s recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Cash and Cash Equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group’s cash management.

Issued Capital

Ordinary shares are classified as equity. Transaction costs arising on the issue of ordinary shares are recognised in equity as a reduction of the share proceeds received.

Share Based Payments - Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense (Note 2b). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The statement of comprehensive income expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense (Note 2b).

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 4).

Revenue and Other Income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding goods and services tax (GST). The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when the significant risk and rewards of ownership shifts from seller to buyer as dictated by the Incoterms specified in the sales contract. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, and volume rates.

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.
NOTE 1: Summary of Significant Accounting Policies (continued)

Environmental protection, rehabilitation and closure costs
Provision is made for close down, restoration and environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the financial period when the related environmental disturbance occurs, based on the estimated future costs using information available at the statement of financial position date. The provision is discounted using a current market-based pre-tax discount rate that reflects the time value of money and risk specific to the liability. The unwinding of the discount is included in interest expense. At the time of establishing the provision, a corresponding asset is capitalised, where it gives rise to a future benefit, and depreciated over future production from the operations to which it relates. The provision is reviewed on an annual basis for changes to obligations, legislation or discount rates that impact estimated costs or lives of operations. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate and the adjusted cost of the asset is depreciated prospectively.

Wages, salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees’ services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Based on past experience, the Group does not expect the full amount of annual leave classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave
The Group recognises a liability for long service leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on the applicable corporate bond with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. An operating lease is a lease other than a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Earnings per Share (EPS)
Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Foreign Currency Translation
The Group’s consolidated financial statements are presented in US dollars, which is the Parent’s presentation currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group’s entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.
NOTE 1: Summary of Significant Accounting Policies (continued)

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the Group’s net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into US dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the average exchange rate for each month of the financial year. The exchange differences arising on translation for consolidation purposes are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Critical Accounting Estimates and Judgements

The preparation of the Group’s consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The Group makes estimates and judgements in applying the accounting policies.

Carrying value of non-current assets subject to impairment testing

The Group considers annually whether there has been any indicators of impairment and then tests whether non-current assets, including investments in joint ventures and property, plant and equipment, have suffered any impairment, in accordance with the accounting policy stated in Note 1. The recoverable amounts of cash-generating units have been determined based on value in use calculations or fair value less costs to sell. These calculations require the use of assumptions. Refer to Notes 10 and 13 for more details on the carrying amounts of non-current assets subject to impairment testing.

Exploration, evaluation and development expenditures

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. Such costs are written off when the amounts are not expected to be recovered through the successful development of the area, or through sale. The assessment of whether successful development will occur, or the amount to be recovered in a sales transaction, involves the use of judgements and estimates.

Income Taxes

The Group records deferred tax assets when it is probable that taxable profit will be available against which the assets can be utilised. The assessment of whether taxable profit will be available requires the use of management judgements and estimates regarding future periods.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 22.

Provision for rehabilitation

As part of the identification and measurement of assets and liabilities for the acquisition of Borax Argentina S.A. in 2012, the Group has recognised a provision for rehabilitation obligations associated with Borax Argentina S.A.’s operations. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the plant from the site and the expected timing of those costs. The carrying amount of the provision as at 30 June 2016 was US $9,458,020 (2015: US $9,366,427).

Comparative Figures and Financial Period

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. New accounting standards effective during the year had no impact on the Group.

Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2016, outlined as follows:
NOTE 1: Summary of Significant Accounting Policies (continued)

- **AASB 9 Financial Instruments** (Application date of standard 1 January 2018; Application date of Group 1 July 2018)

AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities. The Group does not expect any significant impact from adopting these changes when they become applicable.

The main changes are described below.

Financial assets

a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.

b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

Financial liabilities

Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option. The Group does not carry any financial liabilities designated at FVPL.

AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.

Impairment

The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

Hedge Accounting

Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

The Group does not believe that there will be a material financial impact to either the statement of comprehensive income or the statement of financial position once this accounting standard is adopted.

- **AASB 2011 Revenue from Contracts with Customers** (Application date of standard 1 January 2018; Application date of Group 1 July 2018)

AASB 116 Property Plant and Equipment and AASB 138 Intangible Assets both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.

These amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group does not anticipate any impact resulting from this clarification.

- **AASB 2015 Revenue from Contracts with Customers** (Application date of standard 1 January 2018; Application date of Group 1 July 2018)

AASB 15 Revenue from Contracts with Customers replaces the existing revenue recognition standards AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations, (AASB Interpretation 13 Customer Loyalty Programmes, AASB Interpretation 15 Agreements for the Construction of Real Estate, AASB Interpretation 18 Transfers of Assets from Customers and SIC-31 Revenue—Barter Transactions Involving Advertising Services and Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry). AASB 15 incorporates the requirements of IFRS 15 Revenue from Contracts with Customers issued by the International Accounting Standards Board (IASC) and developed jointly with the US Financial Accounting Standards Board (FASB).

Whilst analysis is ongoing the Group does not expect that there will be a material financial impact to either the statement of comprehensive income or the statement of financial position once this accounting standard is adopted.

- **AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its associate or Joint Venture** (Application date of standard 1 January 2018; Application date of Group 1 July 2018)

AASB 2014-10 amends AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require:

(a) a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and

(b) a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

AASB 2014-10 also makes an editorial correction to AASB 10.

AASB 2015-10 defers the mandatory effective date (application date) of AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016.
NOTE 1: Summary of Significant Accounting Policies (continued)

The Group has not yet assessed the impact of AASB 2014-10, and it has not yet decided whether to adopt AASB 2014-10 early.

- AASB 16 Leases (Application date of standard 1 January 2019; Application date of Group 1 July 2019)

Lessee accounting
- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.
- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.
- AASB 16 contains disclosure requirements for lessees.

Lessor accounting
- AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
- AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor’s risk exposure, particularly to residual value risk.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16. The Group has not yet assessed the impact of AASB 16, and it has not yet decided whether to adopt AASB 16 early.

- AASB 2 (Amendments) Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) (Application date of standard 1 January 2018; Application date of Group 1 July 2018)

This standard amends to AASB 2 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide the requirements on the accounting for:
- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments
- Share-based payment transactions with a net settlement feature for withholding tax obligations
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled

The Group does not believe that there will be a material financial impact to either the statement of comprehensive income or the statement of financial position once this accounting standard is adopted. There are no cash settled share-based payment transactions within the Group.

There are no other standards that are not issued, not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTE 2: Result for the Period

<table>
<thead>
<tr>
<th></th>
<th>2016 US $</th>
<th>2015 US $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2a) Other income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property rental agreements</td>
<td>202,703</td>
<td>200,276</td>
</tr>
<tr>
<td>Recovery from Joint Venture</td>
<td>1,059,742</td>
<td>-</td>
</tr>
<tr>
<td>Income from bonds sold (1)</td>
<td>1,637,530</td>
<td>1,393,029</td>
</tr>
<tr>
<td>Export credit income</td>
<td>30,394</td>
<td>45,231</td>
</tr>
<tr>
<td>Net gain on disposal of property, plant and equipment</td>
<td>105,785</td>
<td>160,330</td>
</tr>
<tr>
<td><strong>Total other income</strong></td>
<td>3,036,154</td>
<td>1,798,866</td>
</tr>
</tbody>
</table>

(1) Income from bonds sold relates to profits from the purchase and sale of US Dollar bonds on the Argentinean bond market.

<table>
<thead>
<tr>
<th></th>
<th>2016 US $</th>
<th>2015 US $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2b) Corporate expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee benefit expenses</td>
<td>(2,175,253)</td>
<td>(2,046,102)</td>
</tr>
<tr>
<td>Legal and consulting fees (1)</td>
<td>(1,904,541)</td>
<td>(907,648)</td>
</tr>
<tr>
<td>Share-based payment expense</td>
<td>(746,892)</td>
<td>(874,178)</td>
</tr>
<tr>
<td>Other costs (2)</td>
<td>(1,782,915)</td>
<td>(1,950,650)</td>
</tr>
<tr>
<td><strong>Total corporate expenses</strong></td>
<td>(6,609,601)</td>
<td>(5,778,578)</td>
</tr>
</tbody>
</table>

Corporate expenditure relates to Brisbane Corporate

(1) Legal and consulting fees includes US$1,656,236 (2015: US$424,837) of Rio Tinto Minerals (RTM) legal costs for the financial period (see Note 14 for more detail).
(2) Other costs includes US$390,000 to Tenova Bateman for the Memorandum of Understanding (MOU) for the financial period.

<table>
<thead>
<tr>
<th></th>
<th>2016 US $</th>
<th>2015 US $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2c) Administrative expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee benefit expenses</td>
<td>(2,381,688)</td>
<td>(2,833,344)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(1,693,420)</td>
<td>(1,343,899)</td>
</tr>
<tr>
<td>Local taxes</td>
<td>(534,244)</td>
<td>(222,487)</td>
</tr>
<tr>
<td>Other costs</td>
<td>(2,331,242)</td>
<td>(1,067,269)</td>
</tr>
<tr>
<td><strong>Total administrative expenses</strong></td>
<td>(6,940,594)</td>
<td>(5,466,999)</td>
</tr>
</tbody>
</table>

Administrative expenditure relates to Borax Argentina S.A. and South American Salars S.A.
NOTE 2: Result for the Period (continued)

2d) Finance income

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income on loans receivable (1)</td>
<td>1,337,926</td>
<td>784,741</td>
</tr>
<tr>
<td>Interest income from short term deposits</td>
<td>378,786</td>
<td>287,818</td>
</tr>
<tr>
<td>Other interest income</td>
<td>1,578,074</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total finance income</strong></td>
<td>3,294,786</td>
<td>1,072,559</td>
</tr>
</tbody>
</table>

(1) Interest income on loans receivable is non-cash and will be recovered on ultimate repayment of the loans (see Note 19).

2e) Finance costs

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on loans and borrowings</td>
<td>(2,820,285)</td>
<td>(2,069,225)</td>
</tr>
<tr>
<td><strong>Total finance costs</strong></td>
<td>(2,820,285)</td>
<td>(2,069,225)</td>
</tr>
</tbody>
</table>

2f) Foreign currency gain/(loss)

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign currency gain - cash (1)</td>
<td>1,107,849</td>
<td>4,011,631</td>
</tr>
<tr>
<td>Foreign currency loss - non-cash (2)</td>
<td>(3,660,109)</td>
<td>4,642,910</td>
</tr>
<tr>
<td><strong>Total foreign currency gain / (loss)</strong></td>
<td>(2,552,260)</td>
<td>8,654,541</td>
</tr>
</tbody>
</table>

(1) Fluctuations in USD currency held in Cash and Cash Equivalents (Note 6), and Standby Letters of Credit (Note 9)
(2) Fluctuations in USD denominated payables (Note 14), and receivables from joint venture & joint venture partners (Note 19)

NOTE 3: Income Tax Expense

The major components of income tax benefit for the years ended 30 June 2016 and 2015 are:

Income Tax Expense/(Benefit)

Current income tax:
- Current income tax charge - -

Deferred tax:
- Relating to origination and reversal of temporary differences (634,438) (1,157,972)
- Relating to prior year - 357,487

Income tax benefit reported in the statement of comprehensive income (634,438) (800,485)

A reconciliation between tax expense and the product of accounting profit multiplied by Australia's domestic tax rate for the years ended 30 June 2016 and 2015 is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain/(Loss) from continuing operations before income tax expense (22,592,662)</td>
<td>(1,670,082)</td>
<td></td>
</tr>
<tr>
<td>Tax expenses / (Benefit) at Australian tax rate of 30% (2015: 30%) (6,777,799)</td>
<td>(501,025)</td>
<td></td>
</tr>
<tr>
<td>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Share - based payments 147,442 283,423</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Other 253,556 (344,137)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Share of loss of joint venture 3,850,178 66,320</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dереcognition of deferred tax balances current year 2,550,730 (441,305)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Differences in tax rates (foreign subsidiaries) (698,745) (221,248)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange 40,200 -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relating to prior year - 357,487</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax benefit (634,438) (800,485)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Deferred tax

Deferred tax relates to the following:

**Deferred tax assets**
- Payable and accruals 70,018 18,981
- Employee benefits 367,302 263,815
- Inventory 11,894 68,282
- Other debtors 23,849 4,746
- Interest 764,658 335,665
- Tax losses 843,855 1,396,520
- Share issue costs (P&L) 99,081 |
- Share issue costs (Equity) 1,310,106 1,093,896
- Set off of deferred tax liabilities pursuant to set off provisions (1,310,106) (1,102,977)

**Closed Balance** 2,081,576 2,088,009

**Deferred tax liabilities**
- PPE (620,013) (823,422)
- Receivables (353,489) (353,966)
- (973,502) (1,177,388)

**Movements:**
- Opening Balance 910,621 (650,301)
- Foreign exchange impact (436,985) -
- Credited/(charged) to equity (Current year) - 415,268
- Credited/(charged) to the statement of comprehensive income 634,438 1,145,654
- Closing Balance 1,108,074 910,621

The Group has tax losses which arose in Australia of US$17,605,617 (2015: US$15,201,597) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.
## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 30 June 2016

### Consolidated Group

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US $</td>
<td>US $</td>
</tr>
<tr>
<td><strong>Profit/(Loss) for the financial year</strong></td>
<td>(21,958,224)</td>
<td>(869,597)</td>
</tr>
<tr>
<td>Exclude non-controlling interest</td>
<td>45,253</td>
<td>25,186</td>
</tr>
<tr>
<td>Net Profit/(Loss) used in the calculation of basic and dilutive EPS</td>
<td>(21,912,971)</td>
<td>(844,411)</td>
</tr>
<tr>
<td><strong>No.</strong></td>
<td>183,819,546</td>
<td>139,061,945</td>
</tr>
</tbody>
</table>

Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted EPS

As the Group incurred a loss in the current and prior years, potential ordinary shares - being options to acquire ordinary shares (2016: 2,128,302; 2015: 1,788,878) are considered non-dilutive.

There are no share options excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for the current period presented.

### NOTE 4: Earnings Per Share

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year. Prior period EPS calculation was adjusted for comparable purposes taking into consideration an equivalent discount to the shares issued under Rights Issue.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit/(Loss)</strong></td>
<td>(21,958,224)</td>
<td>(869,597)</td>
</tr>
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<tr>
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<td>(21,912,971)</td>
<td>(844,411)</td>
</tr>
</tbody>
</table>

Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted EPS

As the Group incurred a loss in the current and prior years, potential ordinary shares - being options to acquire ordinary shares (2016: 2,128,302; 2015: 1,788,878) are considered non-dilutive.

There are no share options excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for the current period presented.

### NOTE 5: Auditors’ Remuneration

The auditor of Orocobre Limited is Ernst & Young.

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ernst &amp; Young</strong></td>
<td>US $</td>
<td>US $</td>
</tr>
<tr>
<td>Australia</td>
<td>58,585</td>
<td>73,987</td>
</tr>
<tr>
<td>- audit and review of financial statements Ernst &amp; Young Argentina</td>
<td>40,022</td>
<td>55,818</td>
</tr>
<tr>
<td><strong>Total auditors' remuneration</strong></td>
<td>98,607</td>
<td>129,805</td>
</tr>
</tbody>
</table>

During the period US$20,708 was paid in non-audit services

### NOTE 6: Cash and Cash Equivalents

Cash at bank and on hand

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash at bank and on hand</strong></td>
<td>3,763,328</td>
<td>7,186,317</td>
</tr>
<tr>
<td><strong>Short term deposits</strong></td>
<td>32,072,004</td>
<td>71,012</td>
</tr>
<tr>
<td><strong>Total accessible cash and short-term deposits</strong></td>
<td>35,835,332</td>
<td>7,257,329</td>
</tr>
</tbody>
</table>

Cash at the end of the financial year as shown in the statement of cash flows is the same amount as shown in the statement of financial position.

The effective interest rate on short term deposits was 0.57% (2015: 2.94%). Short term deposits held at 30 June 2016 relate to rental and other security deposits. Deposits relating to cash held had an average maturity of 90 days.

For the purpose of the statement of cash flows, cash and cash equivalents comprise of the following at 30 June:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash at bank and on hand</strong></td>
<td>3,763,328</td>
<td>7,186,317</td>
</tr>
<tr>
<td><strong>Short term deposits</strong></td>
<td>32,072,004</td>
<td>71,012</td>
</tr>
<tr>
<td><strong>Total accessible cash and short-term deposits</strong></td>
<td>35,835,332</td>
<td>7,257,329</td>
</tr>
<tr>
<td><strong>Bank overdrafts</strong> (see Note 9)</td>
<td>(777,666)</td>
<td>(1,561,900)</td>
</tr>
<tr>
<td><strong>Total cash and cash equivalents</strong></td>
<td>35,057,666</td>
<td>5,695,429</td>
</tr>
</tbody>
</table>

### Reconciliation of Cash Flow from Operations with Loss after Income Tax:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit/(loss)</strong></td>
<td>(21,958,224)</td>
<td>(869,597)</td>
</tr>
</tbody>
</table>

Adjustments for:

- Non-cash employee benefits expense | 2,119,010 | 2,389,435 |
- Depreciation of property, plant and equipment | 1,705,246 | 1,359,639 |
- Gain on sale of assets | (105,785) | (160,330) |
- Share of loss of joint venture | 11,000,508 | 880,033 |
- Fair value adjustment of loans and financial assets | (880,033) |
- Non-cash finance income | 3,763,328 | (7,186,317) |
- Unrealised foreign exchange gain | 2,552,260 | (8,670,158) |

Changes in operating assets and liabilities:

- Increase/Decrease in receivables | 2,135,130 | (3,265,043) |
- Increase in payables | 435,174 | 5,416,108 |
- Increase in provisions | 32,072,004 | 37,458 |
- Increase in provisions - taxation | (632,106) | (800,485) |
- Increase in inventory | (1,808,355) | (3,942,440) |
- Decrease in prepayments | (7,058) | 429,839 |

**Cash flows from operations** | (5,881,883) | (7,790,795) |
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 30 June 2016

NOTE 7: Trade and Other Receivables

Current:
Trade receivables 4,221,860 4,936,575
Related party receivables 2,556,142 83,267
Other receivables 757,162 1,468,075
VAT tax credits 180,319 841,670
7,715,483 7,329,587

Non Current:
Trade receivables 1,094,318 1,115,398
Receivable from joint venture 61,447,448 23,047,881
Receivable from joint venture partners 6,382,515 5,661,346
VAT tax credits 1,275,192 1,906,899
70,199,473 31,731,524

Trade and other receivables
During the financial year, US$25,429 (2015: US $nil) in trade receivables was impaired. It is expected all remaining balances will be received when due. There are no balances with terms that have been renegotiated but which would otherwise be past due or impaired. The amounts are non-interest bearing and generally on 120 days terms. No collateral is held over receivables. The carrying value of receivables approximate fair value. Current related party receivable of US$2,556,142 is expected to be collected over 120 days from balance sheet date.

Credit Risk — Trade and Other Receivables
The Group has a total of US $1,455,511 (2015: US $2,748,569) of VAT recoveries due from the Argentine revenue authority. On a geographical basis the Group has total receivables of US $7,476,067 (2015: US $10,156,064 ) denominated in Argentine pesos, which represents a significant concentration of credit risk to the Group.

Receivables from joint venture and joint venture partners
Receivables from joint venture and joint venture partners relates to amounts receivable in respect of the Olaroz project (see Note 13). All amounts are denominated in USD and US $61,447,448 (2015: US $23,047,881) is interest bearing. The receivables will be recovered from cashflows from the Olaroz project (see Note 19).

The carrying values of the receivables from joint venture and joint venture partners approximate fair values.

VAT Recovery
VAT is charged on services and goods (including capital) goods at rates between 10.5% and 27%, with 21% being the standard charge. VAT is generally recouped against VAT on local sales, if any, and/or up to 21% of export sales. VAT has been paid on capex and expenses to date and is currently recouped by Borax Argentina as a percentage of local and export sales.

NOTE 8: Inventory

Current:
Inventory 6,493,836 8,516,330
Non Current:
Inventory 594,622 116,019

Total inventories are carried at the lower of cost and net realisable value. Current inventories relate to borates and related products. Non current inventory relates to consumables and spare parts.

NOTE 9: Financial Instruments

Financial Assets
Non-current - HSBC USD Standby Letters of Credit 36,676,279 37,515,356
Non-current - Shares in listed entity 9,404 9,404
36,685,683 37,524,760

The USD Standby Letters of Credit (SBLC’s) are short term deposits relating to the Company issuing SBLC’s on behalf of the joint venture company Sales de Jujuy S.A. Such deposits earn rates of between 0.40% and 0.66% and are generally held for a term of six months at a time. Such SBLC’s have been provided due to a working capital requirement for Sales de Jujuy S.A. which has arisen principally due to delays in the production start up. The carrying value approximates fair value.

Financial Liabilities
Interest bearing loans and borrowings
Current:
Loans & other financing 1,249,289 526,308
Bank overdrafts 777,666 1,561,900
2,026,955 2,088,208
Non Current:
Loans & other financing 1,044,437 612,770

 Loans & other financing
HSBC Argentina loan component 1 has been drawn down under a four year bank facility and accrues interest at the rate of 15.25%. At 30 June 2016, the loan is repayable within 12 months and is secured by guarantee.
NOTE 9: Financial Instruments (continued)

HSBC Argentina loan component 2 has been drawn down under a three year bank facility. It accrues interest at the rate of 19%. At 30 June 2016, the loan is repayable within 25 months and is secured by a mortgage on land and buildings owned by Borax Argentina in Campo Quijano, Salta, Argentina (value of land and buildings US$3,846,698).

Bank overdrafts

The bank overdrafts are Peso denominated, and have an indefinite term. The overdraft facilities accrue interest at rates between 36.27% and 41%.

The carrying amounts of the loans and borrowings approximate fair value. Fair value has been determined using a discounted cash flow valuation technique based on contractual and expected cash flows and current market interest rates (Level 2).

NOTE 10: Property, Plant and Equipment

Property, plant and equipment

<table>
<thead>
<tr>
<th></th>
<th>Land &amp; buildings</th>
<th>Plant &amp; equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At cost</td>
<td>10,470,533</td>
<td>5,294,111</td>
<td>15,764,644</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(881,094)</td>
<td>(1,732,973)</td>
<td>(2,614,067)</td>
</tr>
<tr>
<td>Total at 30 June 2015</td>
<td>9,589,439</td>
<td>3,561,138</td>
<td>13,150,577</td>
</tr>
<tr>
<td>At cost</td>
<td>12,301,633</td>
<td>5,791,230</td>
<td>18,092,863</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(1,686,405)</td>
<td>(1,429,610)</td>
<td>(3,116,015)</td>
</tr>
<tr>
<td>Total at 30 June 2016</td>
<td>10,615,228</td>
<td>4,361,620</td>
<td>14,976,848</td>
</tr>
</tbody>
</table>

Property, plant and equipment

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of year</td>
<td>13,150,577</td>
<td>10,274,888</td>
</tr>
<tr>
<td>Additions - cash</td>
<td>3,544,026</td>
<td>2,120,105</td>
</tr>
<tr>
<td>Additions - non-cash</td>
<td>6,917,805</td>
<td>1,034,793</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>(1,705,246)</td>
<td>(1,359,639)</td>
</tr>
<tr>
<td>Foreign currency translation movement</td>
<td>(6,930,314)</td>
<td>1,080,430</td>
</tr>
<tr>
<td>Carrying amount at the end of year</td>
<td>14,976,848</td>
<td>13,150,577</td>
</tr>
</tbody>
</table>

Significant additions were made at Borax Argentina S.A..

Impairment

The carrying amounts of the loans and borrowings approximate fair value. Fair value has been determined using a discounted cash flow valuation technique based on contractual and expected cash flows and current market interest rates (Level 2).

Significant property, plant and equipment balances relate to the Borax operations. The recoverable amount of the Borax operations has been determined on a fair value less cost of disposals basis. Fair value less cost of disposal has been determined using a discounted cash flow methodology, and has been cross checked to external market data and views. The cash flows used are based on management’s most recent budgets and forecasts and include cash flow forecasts for the remaining mine lives based on current reserves. No value has been attributed to increases in reserves or significant expansion opportunities.

The material assumptions to which the Borax operation is most sensitive to are sales tonnes, selling price, cost assumptions and the discount rate used (9.5% post tax in the current period).

In determining there is no impairment of the Borax operations at 30 June 2016 management has forecast an improved performance in coming years with tonnage sold expected to increase based on optimisation work undertaken and ongoing from FY 2016.

NOTE 11: Exploration, Evaluation and Development Asset

Exploration, evaluation and development expenditure carried forward in respect of areas of interest are:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploration and evaluation phase - at cost</td>
<td>6,167,681</td>
<td>8,571,652</td>
</tr>
</tbody>
</table>

Movement in exploration and evaluation asset:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance - at cost</td>
<td>8,571,652</td>
<td>7,738,701</td>
</tr>
<tr>
<td>Capitalised exploration expenditure</td>
<td>248,077</td>
<td>313,446</td>
</tr>
<tr>
<td>Foreign currency translation movement</td>
<td>(2,652,048)</td>
<td>519,505</td>
</tr>
<tr>
<td>Carrying amount at the end of year</td>
<td>6,167,681</td>
<td>8,571,652</td>
</tr>
</tbody>
</table>

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and development of projects or alternatively through the sale of the areas of interest.

NOTE 12: Information Relating to Subsidiaries

The consolidated financial statements of the Group include:

<table>
<thead>
<tr>
<th>Name</th>
<th>Country of incorporation &amp; principal place of business</th>
<th>% equity interest held by the Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>South American Salar Minerals Pty Ltd</td>
<td>Australia</td>
<td>85.00</td>
</tr>
<tr>
<td>South American Salar S.A. (wholly owned subsidiary of South American Salar Minerals Pty Ltd)</td>
<td>Argentina</td>
<td>85.00</td>
</tr>
<tr>
<td>Borax Argentina Holding No 1 Pty Ltd</td>
<td>Australia</td>
<td>100.00</td>
</tr>
<tr>
<td>Borax Argentina Holding No 2 Pty Ltd</td>
<td>Australia</td>
<td>100.00</td>
</tr>
<tr>
<td>Borax Argentina S.A.</td>
<td>Argentina</td>
<td>100.00</td>
</tr>
<tr>
<td>Orocobre Brasil Representacoes E Assessoria Comercial LTDA (1)</td>
<td>Brazil</td>
<td>100.00</td>
</tr>
</tbody>
</table>

(1) Orocobre Brasil Representacoes E Assessoria Comercial was formed during the previous financial year with the intention to be used as an importer/exporter and/or an agent of boron related products. To date the company has not yet transacted.
NOTE 13: Investment in Joint Venture

The tables below provide summarised financial information for the Joint Venture of the group. The information disclosed reflects the amount presented in the financial statements of the Joint Venture and not Orocobre Limited’s share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

### Statement of financial position

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>832,778</td>
<td>1,383,354</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>2,063,165</td>
<td>642,184</td>
</tr>
<tr>
<td>VAT receivable</td>
<td>17,656,817</td>
<td>7,699,382</td>
</tr>
<tr>
<td>Inventory</td>
<td>18,143,776</td>
<td>15,057,994</td>
</tr>
<tr>
<td>Prepayments</td>
<td>3,513,818</td>
<td>3,936,818</td>
</tr>
<tr>
<td>Total current assets</td>
<td>42,210,354</td>
<td>28,719,732</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>331,472,895</td>
<td>371,736,807</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>17,293,138</td>
<td>27,115,670</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>422,465</td>
<td>449,275</td>
</tr>
<tr>
<td>VAT receivable</td>
<td>10,378,795</td>
<td>19,633,267</td>
</tr>
<tr>
<td>Inventory</td>
<td>9,376,416</td>
<td>9,329,349</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>10,918,703</td>
<td>1,912,303</td>
</tr>
<tr>
<td>Prepayments</td>
<td>1,658,238</td>
<td>1,912,303</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>381,520,650</td>
<td>430,176,671</td>
</tr>
<tr>
<td>Total non-current assets (1)</td>
<td>(481,730,986)</td>
<td>(618,896,403)</td>
</tr>
</tbody>
</table>

### Current liabilities

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td>(8,031,737)</td>
<td>(18,388,305)</td>
</tr>
<tr>
<td>Loans &amp; borrowings</td>
<td>(71,579,187)</td>
<td>(63,348,605)</td>
</tr>
<tr>
<td>Related party payable</td>
<td>(2,575,189)</td>
<td>(93,218)</td>
</tr>
<tr>
<td>Derivative</td>
<td>(1,664,040)</td>
<td>(1,250,197)</td>
</tr>
<tr>
<td>Provisions</td>
<td>(10,918,703)</td>
<td>(1,912,303)</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>(91,134,851)</td>
<td>(95,664,391)</td>
</tr>
</tbody>
</table>

### Non-current liabilities

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td>(724,269)</td>
<td>-</td>
</tr>
<tr>
<td>Loans &amp; borrowings</td>
<td>(154,951,750)</td>
<td>(175,489,073)</td>
</tr>
<tr>
<td>Related party payable</td>
<td>(75,932,585)</td>
<td>(25,041,776)</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>(17,293,138)</td>
<td>(27,115,761)</td>
</tr>
<tr>
<td>Derivative</td>
<td>(14,049,918)</td>
<td>(8,175,739)</td>
</tr>
<tr>
<td>Provisions</td>
<td>(10,351,809)</td>
<td>(10,251,661)</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>(273,303,527)</td>
<td>(246,074,010)</td>
</tr>
</tbody>
</table>

### Joint venture’s non-controlling interest

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>54,054,716</td>
<td>107,199,826</td>
</tr>
<tr>
<td>Elimination of unrealised intercompany transactions</td>
<td>(5,814,432)</td>
<td>(576,945)</td>
</tr>
<tr>
<td><strong>Carrying amount</strong></td>
<td>48,240,284</td>
<td>106,622,881</td>
</tr>
</tbody>
</table>

### Proportion of the Group’s ownership

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount of the investment</td>
<td>35,061,038</td>
<td>77,493,510</td>
</tr>
</tbody>
</table>

### (1) The major components of non-current assets are:

- **Property, plant and equipment**
  - Fair value uplift on creation of joint venture | 53,473,587 | 84,721,734 |
  - Inventory | 18,143,776 | 15,057,994 |
  - Plant and equipment | 278,110,457 | 287,814,732 |
- **Other assets**
  - Recoverable VAT | 10,378,795 | 19,633,267 |
  - Deferred tax assets | 10,918,703 | 1,912,303 |
  - Other assets | 1,969,555 | 1,561,919 |
- **Total tangible assets** | 364,227,513 | 403,061,001 |
- **Intangible assets**
  - Goodwill | 17,293,138 | 27,115,761 |
- **Total non-current assets** | 381,520,650 | 430,176,671 | 337,846,857 |
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 30 June 2016

NOTE 13: Investment in Joint Venture (continued)

Reconciliation to carrying amounts

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening net assets 1 July</td>
<td>106,622,881</td>
<td>122,794,682</td>
</tr>
<tr>
<td>Capital Investment</td>
<td>5,768,750</td>
<td>1,286,250</td>
</tr>
<tr>
<td>Profit/(loss) for the period</td>
<td>(15,135,537)</td>
<td>(265,232)</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>(43,778,323)</td>
<td>(17,241,004)</td>
</tr>
<tr>
<td>Elimination of unrealised intercompany transactions</td>
<td>(5,237,487)</td>
<td>48,185</td>
</tr>
<tr>
<td><strong>Closing net assets</strong></td>
<td>48,240,294</td>
<td>106,622,881</td>
</tr>
<tr>
<td><strong>Group's share in %</strong></td>
<td>72.68%</td>
<td>72.68%</td>
</tr>
<tr>
<td><strong>Group's share in US $</strong></td>
<td>35,061,038</td>
<td>77,493,510</td>
</tr>
<tr>
<td><strong>Carrying amount</strong></td>
<td>35,061,038</td>
<td>77,493,510</td>
</tr>
</tbody>
</table>

The share of other comprehensive income of the Joint Venture in relation to foreign currency translation relates to the translation of the Joint Venture’s subsidiary’s net assets up to 1 May 2016. The functional currency of the subsidiary was previously Argentine Pesos, which reduced in value by comparison to the Australian dollar by approximately 57% between July 2015 and April 2016. As a consequence, the carrying value of the Group’s investment in the Joint Venture has been reduced by US$31,203,953, and this reduction is equity accounted for through other comprehensive income. This is a non-cash item and has been accounted for in accordance with the Group’s accounting policy.

Summarised revenue and profit information

- Revenue: 15,370,515, 7,795,166
- EBITDAX*: 7,161,104, 830
- EBTX**: 7,079,062, 60,901
- Less Interest: 1,831,026, 125
- EBTX***: 5,248,036, 60,776
- Less Foreign currency gains/(losses): (27,495,276), 224,155
- Profilt/(loss) before tax: (22,247,240), (284,931)
- Income tax benefit/(expense): 5,107,249
- Profit/(loss) for the year from continuing operations: (16,539,991), (284,931)
- Income attributable to joint venture's non-controlling interest: (1,404,454), (19,699)
- Profit/(loss) for the year from continuing operations: (15,135,537), (265,232)
- Group's share of profit/(loss) for the year: (11,000,508), (169,486)

Sales de Jujuy PTE LTD cannot distribute profits until it obtains the consent of the two venture partners.

*,, **, EBITDAX, EBITX, and EBTX are non-IFRS financial performance measures. and are defined in Note 24.

The costs capitalised into the Project’s equipment and infrastructure assets includes borrowing costs incurred for the purpose of developing these as intended by the company up to 30 April 2016.

As the entity had an ARS functional currency up to 30 April, 2016, the significant devaluation of the ARS to USD in excess of the interest rates differential resulted in a non-cash foreign exchange loss in the income statement of US$27.35m. In line with AASB 121 any foreign exchange gain or loss to be recognised in the profit or loss unless they are regarded as adjustments to interest costs, in which case they can be capitalised as borrowing costs in accordance with AASB 123.

The Group’s share of the Joint Venture's operational commitments which are funded through the operation's financing:

| Operating commitments (see Note 20) | 39,080,035 | 760,319 |

NOTE 14: Trade and other Payables

Current:

Unsecured liabilities:

- Trade payables and accrued expenses: 10,112,569, 12,241,590
- Subsidiary and associate instalments payable (1): - 1,624,028

Total: 10,112,569, 13,865,618

Unsecured liabilities:

- Trade payables and accrued expenses: 726,877, 1,135,807

Total: 726,877, 1,135,807

(1) An arbitration hearing of the claims by Borax Argentina against Rio Tinto Minerals Development Limited (RTM) was concluded in December 2015. Borax Argentina was seeking damages, together with interest and legal costs from RTM in respect of the alleged failure by RTM to fully disclose a number of liabilities or potential liabilities of Borax Argentina at the time of the sale. During the year the Company paid the balance of purchase moneys of US$1,629,013 for the shares in Borax Argentina to RTM pursuant to orders made in the course of arbitration. The arbitrator has dismissed the Company’s claim against RTM which has resulted in the Company being liable to pay RTM’s legal costs. These legal fees were paid post balance date (US$910,037).
### NOTE 15: Provisions

**Non-Current:**
- Provision for rehabilitation: $9,458,020  $9,366,427
- Other provisions: $200,053  $54,232

**Rehabilitation provision**
The Group has recognised a provision for rehabilitation obligations associated with Borax Argentina S.A.’s operations. The rehabilitation is expected to commence in 2043.

Reconciliation of the carrying amount for provision for rehabilitation is set out below:

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of year</td>
<td>$9,366,427</td>
<td>$7,572,156</td>
</tr>
<tr>
<td>Arising during the year</td>
<td>$4,739,627</td>
<td>$1,034,793</td>
</tr>
<tr>
<td>Foreign currency translation</td>
<td>($4,648,034)</td>
<td>$759,478</td>
</tr>
<tr>
<td>Carrying amount at the end of year</td>
<td>$9,458,020</td>
<td>$9,366,427</td>
</tr>
</tbody>
</table>

### NOTE 16: Employee Benefit Liability

**Current:**
- Annual leave: $138,606  $186,152
- Borax Argentina S.A. defined benefit pension plan (1): $138,360  $85,830
- Former employee termination costs: $309,017  $600,550

**Non-Current:**
- Borax Argentina S.A. defined benefit pension plan (1): $1,204,049  $1,152,782
- Former employee termination costs: $68,102  $412,790

**Total:**
- $1,272,151  $1,565,572

(1) The Group had a defined benefit pension plan in Argentina. During the previous financial year, the Group decided to discontinue this plan. The remaining liability reflects the obligation with respect to former employees.

### NOTE 17: Issued Capital

<table>
<thead>
<tr>
<th>Shares issued during the year:</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous financial year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 July 2015 - Australian placement at $1.90</td>
<td>$17,000,000</td>
<td>-</td>
</tr>
<tr>
<td>(US$1.44)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30 November 2015 - Options exercised at $1.50</td>
<td>$100,000</td>
<td>-</td>
</tr>
<tr>
<td>(US$1.08)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 January 2016 - Options exercised at $1.50</td>
<td>$250,000</td>
<td>-</td>
</tr>
<tr>
<td>(US$1.07)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 February 2016 - Australian placement at $2.10</td>
<td>$25,350,551</td>
<td>-</td>
</tr>
<tr>
<td>(US$1.49)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 March 2016 - Australian placement at $2.10</td>
<td>$15,125,639</td>
<td>-</td>
</tr>
<tr>
<td>(US$1.53)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$209,479,867</td>
<td>$151,653,677</td>
</tr>
</tbody>
</table>

**Options**
- Unlisted Share Options and Performance Rights: $2,682,619  $3,101,765

- Balance at the beginning of the reporting year: $3,101,765  $2,562,493

- Options and rights issued during the year (see Note 22): $794,762  $639,272

- Options and rights exercised during the year (see Note 22): ($350,000)  -

- Options and rights lapsed during the year (see Note 22): ($863,908)  ($100,000)

- Balance at the end of the reporting year: $2,682,619  $3,101,765

**Share option and performance right schemes**
The Group has two share schemes under which options and performance rights to subscribe for the Group’s shares have been granted to certain executives and senior employees (Note 22).

### NOTE 18: Reserves

<table>
<thead>
<tr>
<th>Foreign currency translation reserve:</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Controlled subsidiaries</td>
<td>($6,626,403)</td>
<td>($3,768,176)</td>
</tr>
<tr>
<td>Foreign joint venture (Group’s share)</td>
<td>($55,390,378)</td>
<td>($24,186,425)</td>
</tr>
<tr>
<td>USD translation of Parent entity (1)</td>
<td>($47,598,209)</td>
<td>($46,419,549)</td>
</tr>
<tr>
<td>Total</td>
<td>($109,614,990)</td>
<td>($74,374,150)</td>
</tr>
</tbody>
</table>

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries with a functional currency other than US dollars, and the Group’s share of equity accounted foreign currency translation reserves of the joint venture.

(1) Equity of the Parent entity translated at historical rates of exchange prevailing on the date of each transaction

**Options reserve:**
- The options reserve records items recognised as expenses on valuation of employee share options: $3,225,368  $2,621,306

**Cash flow hedge reserve:**
- The cash flow hedge reserve records the revaluation of derivative financial instruments in the joint venture that qualify for hedge accounting. This represents the Group's share of equity accounted cash flow hedge reserves: ($5,222,475)  ($4,506,533)
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 30 June 2016

Consolidated Group

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US $</td>
<td>US $</td>
</tr>
</tbody>
</table>

NOTE 18: Reserves (continued)

Other reserves:

<table>
<thead>
<tr>
<th></th>
<th>(180,858)</th>
<th>(280,001)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total reserves</td>
<td>(111,792,955)</td>
<td>(76,539,378)</td>
</tr>
</tbody>
</table>

NOTE 19: Related Party Disclosures

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year. For information regarding outstanding balances at 30 June 2016 and 2015, refer to Note 7:

Joint venture in which the Parent is a venturer:

Sales de Jujuy PTE LTD

| Exploration costs reimbursed - joint venture | 1,059,742  |
| Amounts owed by Joint Venture                | 2,556,142  |

Transcripts with Joint Venture

| Recoverable from the joint venture entity (1) | 61,447,448 |
| Recoverable from the joint venture partner (2) | 6,382,515  |

(1) The loan to the joint venture entity consists of 4 loan components:

Loan component 1 (Principal US $18,112,734) is interest bearing at LIBOR +1% per annum and will be repaid during the period the joint venture is operational and after satisfaction of the minimum requirements of the project finance facility. The net present value of the loan receivable at 30 June 2016 is US $18,052,581 (2015: US $17,192,935).

Loan component 2 (Principal US $34,250,000) (2015: US $5,100,000) is interest bearing at LIBOR + 5% per annum and will be repaid in twelve consecutive monthly and equal instalments beginning March 20, 2018.

Loan component 3 (Principal US $726,800) is interest bearing at LIBOR + .75% per annum and will be repaid in full before July 24, 2028.

Loan component 4 (Principal US $6,750,000) (2015: Nil) is interest bearing at LIBOR + 5% per annum and will be repaid in twelve consecutive monthly and equal instalments beginning March 20, 2019.

Note - each loan component can be repaid earlier than the stated time frame.

(2) The loan to a joint venture partner is non-interest bearing and will be repaid when the joint venture pays dividends, at 33.3% of dividends distribution to the joint venture partner.

Compensation of Key Management Personnel of the Group

| Short-term employee benefits | 1,039,270  |
| Post-employment benefits    | 72,398     |
| Other long-term benefits    | 43,851     |
| Share-based payments        | 490,643    |

Total compensation 1,645,892 1,837,274

Detailed disclosures on compensation for key management personnel are set out in the Remuneration Report included in the Directors’ Report.

Interests held by Key Management Personnel under the Share Option and Performance Right Plans

Share options and performance rights held by key management personnel under the Share Option and Performance Right Plans to purchase ordinary shares have the following expiry dates and exercise prices:

<table>
<thead>
<tr>
<th>Issue Date</th>
<th>Expiry Date</th>
<th>Exercise Price (AU $)</th>
<th>2016 Number outstanding</th>
<th>2015 Number outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>30/11/2011</td>
<td>Options</td>
<td>30/11/2016</td>
<td>$ 2.03</td>
<td>550,000</td>
</tr>
<tr>
<td>21/03/2013</td>
<td>Options</td>
<td>30/09/2015</td>
<td>$ 2.20</td>
<td>-</td>
</tr>
<tr>
<td>21/03/2013</td>
<td>P. Rights</td>
<td>30/09/2015</td>
<td>$ -</td>
<td>-</td>
</tr>
<tr>
<td>30/04/2014</td>
<td>P. Rights</td>
<td>30/09/2016</td>
<td>$ -</td>
<td>197,080</td>
</tr>
<tr>
<td>21/01/2015</td>
<td>P. Rights</td>
<td>30/09/2017</td>
<td>$ -</td>
<td>289,892</td>
</tr>
<tr>
<td>06/11/2015</td>
<td>P. Rights</td>
<td>30/09/2018</td>
<td>$ -</td>
<td>547,501</td>
</tr>
</tbody>
</table>

Details of options provided as compensation for key management personnel are also set out in Section H of the Remuneration Report included in the Directors’ Report.

Terms and conditions of grants made during the period are disclosed in Note 22.

Other related parties of the group:

The Group’s contractual commitments to the joint venture regarding project development is set out in Note 20.
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 30 June 2016

Consolidated Group

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th></th>
<th>2015</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US $</td>
<td></td>
<td>US $</td>
<td></td>
</tr>
<tr>
<td>NOTE 20: Commitments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not later than 1 year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- exploration commitments (1)</td>
<td>131,190</td>
<td></td>
<td>54,195</td>
<td></td>
</tr>
<tr>
<td>- operating leases (2)</td>
<td>111,218</td>
<td></td>
<td>111,007</td>
<td></td>
</tr>
<tr>
<td>- contracts (3)</td>
<td>5,939,614</td>
<td></td>
<td>2,663,908</td>
<td></td>
</tr>
<tr>
<td></td>
<td>6,182,022</td>
<td></td>
<td>2,829,110</td>
<td></td>
</tr>
<tr>
<td>Later than 1 year but not later than 5 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- exploration commitments (1)</td>
<td>-</td>
<td></td>
<td>216,780</td>
<td></td>
</tr>
<tr>
<td>- operating leases (2)</td>
<td>173,656</td>
<td></td>
<td>294,286</td>
<td></td>
</tr>
<tr>
<td>- contracts (3)</td>
<td>23,384,429</td>
<td></td>
<td>465,500</td>
<td></td>
</tr>
<tr>
<td></td>
<td>23,558,085</td>
<td></td>
<td>976,566</td>
<td></td>
</tr>
<tr>
<td>Later than 5 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- contracts (3)</td>
<td>10,889,395</td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>10,889,395</td>
<td></td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

(1) The Group must meet minimum expenditure commitments in relation to option agreements over exploration tenements and to maintain those tenements in good standing. The commitments exist at balance sheet date but have not been brought to account. If the relevant mineral tenement is relinquished the expenditure commitment also ceases.
(2) The lease commitment relates to a non-cancellable lease on the office premises, with a 2 year 6 month term remaining at 30 June 2016. Rent is payable monthly in advance.
(3) The Group and its Joint Venture have contractual commitments regarding purchasing agreements for consumables and energy at its operations.

NOTE 21: Contingent Items
The Parent has provided the following guarantee at 30 June 2016:
- Guarantee of 100% of the loan made under Loan Communication A5380 of the Central Bank of Argentina from HSBC Bank Argentina S.A. up to the loan amount of AR$18m (Outstanding 2016: AR$5.5m, US $0.4m; 2015: AR$10.4m, US $1.1m). This loan was granted to Borax Argentina S.A. on 25 June 2013.
- Refer to Note 13 for additional guarantees provided by the Group.

NOTE 22: Share Based Payments
Expense arising from equity-settled share based payment transactions | 812,401 | 899,553
This relates to equity-settled share based payments in the form of grants of options under the Employee & Officer Share Option Plan and grants of options and performance rights under the Performance Rights & Option Plan.

Options and Performance Rights
Employee & Officer Share Option Plan (EOSOP)
Under the Employee & Officer Share Option Plan (EOSOP), awards are made to executives and other key talent who have an impact on the Group’s performance. EOSOP awards are delivered in the form of options over shares which vest over varying periods subject to the employee remaining in service.
The parent entity had 1,600,000 share options on issue at the start of the year:
- 400,000 with an exercise price AU $2.03 expiring 30 September 2015,
- 550,000 with an exercise price AU $1.50 expiring 30 November 2016,
- 350,000 with an exercise price AU $1.50 expiring 31 July 2017,
- 200,000 with an exercise price AU $1.50 expiring 31 May 2018, and
- 100,000 with an exercise price AU $2.53 expiring 1 October 2017.
During the year, 400,000 of these options lapsed, and 350,000 were exercised at AU$1.50.

Performance Rights & Option Plan (PROP)
Under the Performance Rights & Option Plan (PROP), awards are made to executives who have an impact on the Group’s performance, and are delivered in the form of options and rights.
The parent entity had 1,501,765 share options and performance rights on issue at the start of the year:
- 301,092 options with an exercise price AU $2.20 expiring 30 September 2015,
- 140,792 performance rights with an exercise price AU $0.00 expiring 30 September 2015,
- 420,609 performance rights with an exercise price AU $0.00 expiring 30 September 2016,
- 160,658 performance rights with an exercise price AU $0.00 expiring 30 September 2016, and
- 478,614 performance rights with an exercise price AU $0.00 expiring 30 September 2017.
During the year, 301,092 options and 162,816 performance rights lapsed.
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 30 June 2016

NOTE 22: Share Based Payments (continued)

i) Performance Rights & Option Plan (PROP) - 21 January 2015, 6 November 2015 and 29 January 2016
PROP performance rights vest over a period of 3 years and are subject to the following Total Shareholder Return (TSR) Outperformance Conditions, and continuous service until the vesting date.

<table>
<thead>
<tr>
<th>TSR Performance Condition (Absolute, 50%)</th>
<th>Proportion of Options which vest</th>
</tr>
</thead>
<tbody>
<tr>
<td>If TSR falls below 7.5% return per annum</td>
<td>None of the Options vest</td>
</tr>
<tr>
<td>If TSR lies between 7.5% and 10% return per annum</td>
<td>50% of the Options vest</td>
</tr>
<tr>
<td>If TSR lies between 10% and 12.5% return per annum</td>
<td>75% of the Options vest</td>
</tr>
<tr>
<td>If TSR lies at or above the 12.5% return per annum</td>
<td>100% of the Options vest</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TSR Performance Condition (Relative, 50%)</th>
<th>Proportion of Options which vest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater than 75th percentile</td>
<td>100% of the Options vest</td>
</tr>
<tr>
<td>Equal to or greater than 50th percentile</td>
<td>50% of the Options vest</td>
</tr>
<tr>
<td>Less than 50th percentile</td>
<td>None of the Options vest</td>
</tr>
</tbody>
</table>

During the year, 802,967 performance right's (P.R.'s) were granted pursuant to the company's Performance Rights and Option Plan for nil consideration. Performance rights are exercisable at AU $0.00 each with 802,967 vesting on 30 September 2018.

ii) Performance Rights & Option Plan (PROP) - 21 November 2014
PROP performance rights vest over a period of 3 years and are subject to a number of various Hurdle Conditions, and continuous service from the date of grant until the first exercise date.

### Hurdle Conditions

<table>
<thead>
<tr>
<th>Olaroz: Construction Cost Hurdle - Achieve construction costs (excluding finance charges, marketing and Brisbane charges)</th>
<th>13,388</th>
</tr>
</thead>
<tbody>
<tr>
<td>Olaroz: Operating Cost Hurdle - Achieve operating costs (excluding general and administration expenses) in the 2016 financial year</td>
<td>13,388</td>
</tr>
<tr>
<td>Olaroz: Production Rate Hurdle - Achieve design production rates in the 2016 financial year</td>
<td>13,388</td>
</tr>
<tr>
<td>Borax Argentina: EBITDA Hurdle - EBITDA performance for the 2016 financial year (excluding Orocobre Ltd flow through)</td>
<td>40,165</td>
</tr>
<tr>
<td>External Measure: TSR Outperformance - TSR outperformance relative to component companies of the ASX 300 Resources Index</td>
<td>80,329</td>
</tr>
<tr>
<td></td>
<td>160,658</td>
</tr>
</tbody>
</table>

iii) Performance Rights & Option Plan (PROP) - 30 April 2014
PROP options over shares vest over a period of 3.5 years and are subject to continuous service from the date of grant until the first exercise date.

### Hurdle Conditions

| Olaroz: Construction Cost Hurdle - Achieve construction costs (excluding finance charges, marketing and Brisbane charges) | 35,048 |
| Olaroz: Operating Cost Hurdle - Achieve operating costs (excluding general and administration expenses) in the 2016 financial year | 35,050 |
| Olaroz: Production Rate Hurdle - Achieve design production rates in the 2016 financial year | 35,052 |
| Borax Argentina: EBITDA Hurdle - EBITDA performance for the 2016 financial year (excluding Orocobre Ltd flow through) | 105,153 |
| External Measure: TSR Outperformance - TSR outperformance relative to component companies of the ASX 300 Resources Index | 210,306 |
| | 420,609 |

iv) Performance Rights & Option Plan (PROP) - 21 March 2013
PROP options over shares vest over a period of 2.5 years and are subject to the following Total Shareholder Return (TSR) Outperformance Conditions, and continuous service until the vesting date.

<table>
<thead>
<tr>
<th>TSR Performance Condition</th>
<th>Proportion of Options which vest</th>
</tr>
</thead>
<tbody>
<tr>
<td>If TSR falls below the 50th percentile</td>
<td>None of the Options vest</td>
</tr>
<tr>
<td>If TSR is at the 50th percentile</td>
<td>50% of the Options vest</td>
</tr>
<tr>
<td>If TSR lies between the 50th and 75th percentiles</td>
<td>The proportion of Options that vest increases linearly from 50% and 100%</td>
</tr>
<tr>
<td>If TSR lies at or above the 75th percentile</td>
<td>100% of the Options vest</td>
</tr>
</tbody>
</table>

PROP performance rights vest over a period of 2.5 years and are subject to the following Milestone Conditions, and continuous service until the vesting date.
## NOTE 22: Share Based Payments (continued)

<table>
<thead>
<tr>
<th>Milestone Conditions</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete construction of the Olaroz Project within 10% of the Development Budget as set out in the Shareholder's Agreement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Achieve satisfaction of the completed tests for the Olaroz Project, as specified in Banking Agreements with Mizuho Banking Corporation</td>
<td>105,594</td>
<td></td>
</tr>
<tr>
<td>Achieve audited Net Profit after Tax of A$5M or more in the 2015 financial year</td>
<td>35,198</td>
<td></td>
</tr>
<tr>
<td>Achieve audited Net Profit after Tax of A$5M or more in the 2016 financial year</td>
<td>140,792</td>
<td></td>
</tr>
</tbody>
</table>

Movements in the year are:

<table>
<thead>
<tr>
<th>Number of Options &amp; P.R.'s</th>
<th>Weighted Average Exercise Price</th>
<th>Number of Options &amp; P.R.'s</th>
<th>Weighted Average Exercise Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted</td>
<td>Average</td>
<td>Weighted</td>
<td>Average</td>
</tr>
<tr>
<td>Number</td>
<td>Options &amp; P.R.'s</td>
<td>Exercise Price</td>
<td>No</td>
</tr>
<tr>
<td>No</td>
<td>AU</td>
<td>$</td>
<td>No</td>
</tr>
<tr>
<td>Outstanding at the beginning of the year</td>
<td>3,101,765</td>
<td>1.089</td>
<td>2,562,493</td>
</tr>
<tr>
<td>Granted</td>
<td>802,967</td>
<td>-</td>
<td>639,272</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(872,113)</td>
<td>1.707</td>
<td>(100,000)</td>
</tr>
<tr>
<td>Exercised</td>
<td>(350,000)</td>
<td>1.500</td>
<td>-</td>
</tr>
<tr>
<td>Outstanding at year-end</td>
<td>2,682,619</td>
<td>0.512</td>
<td>3,101,765</td>
</tr>
<tr>
<td>Exercisable at year-end</td>
<td>825,000</td>
<td>1.594</td>
<td>1,437,500</td>
</tr>
</tbody>
</table>

All options and performance rights granted are over ordinary shares, which confer a right of one ordinary share per option or performance right. The options and performance rights hold no voting or dividend rights. At the end of the financial year there are 1,745,131 options and performance rights on issue to key management personnel (2015: 1,639,514).

At the date of issue, the weighted average share price of options and performance rights granted in the current year was AU $1.941. The options and performance rights outstanding at 30 June 2016 had a weighted average exercise price of AU $0.512 and a weighted average remaining contractual life of 1.21 years.

The weighted average fair value of options and performance rights granted during the year was AU $1.32 (2015: AU $1.96).

The fair value of options and performance rights granted is deemed to represent the value of the employee services received over the vesting period. The fair value of equity settled options and performance rights are estimated at the date of grant using either a Binomial Option Valuation model or Monte Carlo Simulation with the following inputs:

### Year of Issue 2013 - PROP 2014 - PROP 2015 - PROP 2016 - PROP

<table>
<thead>
<tr>
<th>Grant date</th>
<th>2013 - PROP</th>
<th>2014 - PROP</th>
<th>2015 - PROP</th>
<th>2016 - PROP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number Issued</td>
<td>80,329</td>
<td>80,329</td>
<td>100,000</td>
<td>210,302</td>
</tr>
<tr>
<td>Fair value at grant date (AU $)</td>
<td>$2.33</td>
<td>$2.67</td>
<td>$0.77</td>
<td>$2.23</td>
</tr>
<tr>
<td>Share price (AU $)</td>
<td>$2.67</td>
<td>$2.67</td>
<td>$2.23</td>
<td>$2.23</td>
</tr>
<tr>
<td>Exercise price (AU $)</td>
<td>$2.53</td>
<td>$2.53</td>
<td>$2.53</td>
<td>$2.53</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Option life</td>
<td>3 years</td>
<td>3 years</td>
<td>3 years</td>
<td>3 years</td>
</tr>
<tr>
<td>Expected dividends</td>
<td>nil</td>
<td>nil</td>
<td>nil</td>
<td>nil</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.84%</td>
<td>2.84%</td>
</tr>
</tbody>
</table>

### Year of Issue 2014 - PROP 2015 - PROP 2016 - PROP

<table>
<thead>
<tr>
<th>Grant date</th>
<th>2014 - PROP</th>
<th>2015 - PROP</th>
<th>2016 - PROP</th>
<th>2017 - PROP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number Issued</td>
<td>153,272</td>
<td>153,279</td>
<td>75,019</td>
<td>75,020</td>
</tr>
<tr>
<td>Fair value at grant date (AU $)</td>
<td>$1.98</td>
<td>$1.59</td>
<td>$1.95</td>
<td>$1.58</td>
</tr>
<tr>
<td>Share price (AU $)</td>
<td>$2.74</td>
<td>$2.74</td>
<td>$2.67</td>
<td>$2.67</td>
</tr>
<tr>
<td>Exercise price (AU $)</td>
<td>$2.53</td>
<td>$2.53</td>
<td>$2.53</td>
<td>$2.53</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>50.00%</td>
<td>50.00%</td>
<td>50.00%</td>
<td>50.00%</td>
</tr>
<tr>
<td>Option life</td>
<td>3 years</td>
<td>3 years</td>
<td>3 years</td>
<td>3 years</td>
</tr>
<tr>
<td>Expected dividends</td>
<td>nil</td>
<td>nil</td>
<td>nil</td>
<td>nil</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>2.09%</td>
<td>2.09%</td>
<td>2.30%</td>
<td>2.30%</td>
</tr>
</tbody>
</table>

### Year of Issue 2015 - PROP 2016 - PROP

<table>
<thead>
<tr>
<th>Grant date</th>
<th>2015 - PROP</th>
<th>2016 - PROP</th>
<th>2017 - PROP</th>
<th>2018 - PROP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number Issued</td>
<td>316,348</td>
<td>316,350</td>
<td>85,132</td>
<td>85,137</td>
</tr>
<tr>
<td>Fair value at grant date (AU $)</td>
<td>$1.08</td>
<td>$1.37</td>
<td>$1.48</td>
<td>$1.89</td>
</tr>
<tr>
<td>Share price (AU $)</td>
<td>$1.79</td>
<td>$1.79</td>
<td>$2.50</td>
<td>$2.50</td>
</tr>
<tr>
<td>Exercise price (AU $)</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>50.00%</td>
<td>50.00%</td>
<td>50.00%</td>
<td>50.00%</td>
</tr>
<tr>
<td>Option life</td>
<td>3 years</td>
<td>3 years</td>
<td>3 years</td>
<td>3 years</td>
</tr>
<tr>
<td>Expected dividends</td>
<td>nil</td>
<td>nil</td>
<td>nil</td>
<td>nil</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>1.97%</td>
<td>1.97%</td>
<td>1.88%</td>
<td>1.88%</td>
</tr>
</tbody>
</table>

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.
NOTE 23: Financial Risk Management

(a) Financial Risk Management

The Group’s financial instruments comprise deposits with banks, financial assets, amounts receivable and payable, and interest bearing liabilities.

The main purpose of these financial instruments is to provide finance for Group operations.

Risk Management Policies

Key management of the Group meet on a regular basis to analyse exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The Board of Directors has overall responsibility for the establishment and oversight of the Group’s risk management framework. Management is responsible for developing and monitoring the risk management policies and reports to the Board.

Financial Risks

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. There is a minor exposure to price risk through the financial assets. These risks are managed through monitoring of forecast cashflows, interest rates, economic conditions and ensuring adequate funds are available.

Equity price risk

The Group’s listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

At the reporting date, the exposure to listed equity securities at fair value was $9,404. An increase or decrease of 10% on the ASX market index could have an impact of approximately $940 on the profit attributable to the Group, depending on whether the variance is significant or prolonged.

Interest Rate Risk

The Group’s exposure to interest rate risk, which is the risk that a financial instrument’s value will fluctuate as a result of reasonable possible changes in market interest rates arises in relation to the Group’s bank balances.

This risk is managed through the use of variable rate term deposits.

Interest Rate Sensitivity

With all other variables held constant, the Group’s profit after tax and equity are affected through the impact on floating and/or fluctuating interest rates on cash and receivables as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; cash equivalents</td>
<td>35,835,332</td>
<td>7,257,329</td>
</tr>
<tr>
<td>Receivables</td>
<td>61,447,448</td>
<td>23,047,881</td>
</tr>
<tr>
<td>Standby Letters of Credit</td>
<td>36,676,279</td>
<td>37,515,356</td>
</tr>
</tbody>
</table>

Effect on profit and equity as a result of a:

1% +/- reasonably possible change in interest: 937,713, 474,744

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able meet its financial obligations as they fall due. This risk is managed by ensuring, to the extent possible, that there is sufficient liquidity (through cash and cash equivalents and available borrowing facilities) to meet liabilities when due, without incurring unacceptable losses or risking damage to the Group’s reputation.

The Group manages liquidity risk by funding activities from equity sources and revenue, and continuously monitors actual and forecast cash flows and matches the maturity profiles of financial assets and liabilities.

Contractual maturities of financial liabilities:

<table>
<thead>
<tr>
<th></th>
<th>Within 12 months</th>
<th>1 to 5 Years</th>
<th>Over 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year ended 30 June 2016</td>
<td>10,112,569</td>
<td>726,877</td>
<td>-</td>
<td>10,839,446</td>
</tr>
<tr>
<td></td>
<td>2,404,266</td>
<td>1,487,410</td>
<td>-</td>
<td>3,891,676</td>
</tr>
<tr>
<td></td>
<td>12,516,835</td>
<td>2,214,287</td>
<td>-</td>
<td>14,731,122</td>
</tr>
<tr>
<td>Year ended 30 June 2015</td>
<td>13,865,618</td>
<td>1,135,807</td>
<td>-</td>
<td>15,001,425</td>
</tr>
<tr>
<td></td>
<td>2,284,074</td>
<td>686,299</td>
<td>-</td>
<td>2,970,373</td>
</tr>
<tr>
<td></td>
<td>16,149,692</td>
<td>1,822,106</td>
<td>-</td>
<td>17,971,798</td>
</tr>
</tbody>
</table>

Foreign Currency Risk

The group is exposed to fluctuations in the US dollar arising from the purchase of goods and services, and loans and receivables in the parent entity and its subsidiaries functional currency (Australian dollar and Argentine peso). The Group does not currently undertake any hedging of foreign currency items.

Foreign Currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the Australian dollar and Argentine peso exchange rates relative to the US dollar, with all other variables held constant. The impact on the Group’s profit after tax and equity is due to changes in the fair value of monetary assets and liabilities.
#### NOTE 23: Financial Risk Management (continued)

<table>
<thead>
<tr>
<th>Description</th>
<th>2016 (US $)</th>
<th>2015 (US $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States Dollar cash &amp; cash equivalents</td>
<td>1,447,888</td>
<td>12,362,732</td>
</tr>
<tr>
<td>United States Dollar receivables</td>
<td>73,146,141</td>
<td>28,709,227</td>
</tr>
<tr>
<td>United States Dollar financial assets</td>
<td>36,676,279</td>
<td>37,515,356</td>
</tr>
<tr>
<td>United States Dollar payables</td>
<td>-</td>
<td>(1,624,028)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>111,270,308</strong></td>
<td><strong>76,963,287</strong></td>
</tr>
</tbody>
</table>

**Effect on profit as a result of a:**

<table>
<thead>
<tr>
<th>Description</th>
<th>2016 (US $)</th>
<th>2015 (US $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10% +/- Reasonably possible change in United States Dollar</td>
<td>7,788,922</td>
<td>5,387,430</td>
</tr>
</tbody>
</table>

**Effect on equity as a result of a:**

<table>
<thead>
<tr>
<th>Description</th>
<th>2016 (US $)</th>
<th>2015 (US $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10% +/- Reasonably possible change in United States Dollar</td>
<td>7,788,922</td>
<td>5,387,430</td>
</tr>
</tbody>
</table>

**Credit Risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk is managed and reviewed regularly by key management. It arises from exposures to certain financial instruments and deposits with financial institutions. Key management monitor credit risk by actively assessing the rating quality and liquidity of counter parties. Only banks and financial institutions with an 'A' rating are utilised.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The Group does not have any material credit risk exposure to any single receivable or Group of receivables under financial instruments entered into by the Group, other than bank balances and short term deposits (Note 6), VAT tax credits, non current receivables (Note 7), and SBLC's (Note 9).

**Commodity Price Risk**

The Group's prospects and share price will be influenced by the price obtained from time to time for the commodities that it produces and those that it targets in its exploration programs, namely lithium chemicals, boron chemical and mineral products and, to a lesser extent, other minerals.

The prices of lithium chemicals have fluctuated widely in recent years and are affected by factors beyond the control of the Group including, but not limited to, the relationship between global supply and demand for lithium chemicals which may be affected by, among other things, development and commercial acceptance of lithium based applications and technologies and/or the introduction of new technologies that may not be based on lithium, forward selling by producers, the cost of production, new mine developments and mine closures, advances in various production technologies for such minerals and general global economic conditions. The prices of lithium and other commodities are also affected by the outlook for inflation, interest rates, currency exchange rates and supply and demand issues. Also, major lithium producers may attempt to sell lithium products at artificially low prices in order to drive new entrants out of the market. These factors may have an adverse effect on the Group's production, development and exploration activities, as well as its ability to fund its future activities. All sales contracts are agreed in USD or USD equivalent prices and forward contracts are agreed for periods of 3-12 months.

The Group is affected by the market forces and market price cycles of boron chemical and mineral products. In relation to boron chemical and mineral products the market price is determined largely by the market supply and demand balance. There are two significant manufacturers of boron chemicals and minerals in the global market so the supply side is relatively consolidated. Boron chemical and mineral products are used in applications such as ceramic and glass manufacture, insulation and fertiliser manufacture. Although there is a cyclic profile in these markets they are considered steady growth markets linked strongly to urbanisation and food production so volatility is not considered high. In terms of inputs, the major input is ore mined from the company's own assets so input cost risk is managed through control of costs such as diesel fuel, labour and gas via forward contracts. All sales contracts are agreed in USD or USD equivalent prices and forward contracts are agreed for periods of 3-12 months.

**Trading Commodity Price Sensitivity**

The following table shows the effect of price changes in boron chemicals on Trade Debtors at 30 June 2016.

<table>
<thead>
<tr>
<th>Description</th>
<th>2016 (US $)</th>
<th>2015 (US $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effect on profit as a result of a: 10% +/- Reasonably possible change in Boron chemicals</td>
<td>274,421</td>
<td>320,877</td>
</tr>
</tbody>
</table>

**Capital management**

Capital includes equity attributable to the equity holders of the Parent.

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise the shareholder’s value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2016 and 2015. The change in the gearing ratio in the current year reflects the increase in cash as a result of the capital raising during the year.
NOTE 23: Financial Risk Management (continued)

(b) Fair Values

No financial assets or liabilities are readily traded on organised markets in a standardised form, other than shares in listed entities.

The aggregate values and carrying amounts of financial assets and liabilities are disclosed in the statement of financial position and notes to the financial statements. Fair values are materially in line with carrying values. The shares in listed entities comprise listed investments for which a Level 1 fair value hierarchy has been applied (quoted price in an active market).

(c) Financial Assets

The Group’s financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, and joint ventures.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>Note</th>
<th>Consolidated Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>6</td>
<td>35,835,332</td>
</tr>
<tr>
<td>Financial assets at amortised cost (loans and receivables):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– current trade and other receivables</td>
<td>7</td>
<td>7,715,483</td>
</tr>
<tr>
<td>– non-current trade and other receivables</td>
<td>7</td>
<td>70,199,473</td>
</tr>
<tr>
<td>– non-current standby letters of credit</td>
<td>9</td>
<td>36,676,279</td>
</tr>
<tr>
<td>Shares in listed entities at fair value (available for sale financial asset):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– listed investments</td>
<td>9</td>
<td>9,404</td>
</tr>
<tr>
<td>Total financial assets</td>
<td></td>
<td>150,435,971</td>
</tr>
</tbody>
</table>

| Financial liabilities | | |
| Financial liabilities at amortised cost: | | |
| – current trade and other payables | 14 | 10,112,569 | 13,865,618 |
| – non-current trade and other payables | 14 | 726,877 | 1,135,807 |
| – current loans and borrowings | 9 | 2,026,955 | 2,088,208 |
| – non-current loans and borrowings | 9 | 1,044,437 | 612,770 |
| Total financial liabilities | | 13,910,838 | 17,702,403 |

NOTE 24: Segment Reporting

The Group operates primarily in Argentina in the mining industry. The Group’s primary focus is on exploration for and development of lithium, potash and salar mineral deposits. The Group also includes the operations of Borax.

The Group has four reportable segments, being Corporate, the Olaroz project, South American Salars and Borax.

In determining operating segments, the Group has had regard to the information and reports the chief operating decision maker uses to make strategic decisions regarding resources. The Chief Executive Officer (CEO) is considered to be the chief operating decision maker and is empowered by the Board of Directors to allocate resources and assess the performance of the Group. The CEO assesses and reviews the business using the operating segments below. Segment performance is evaluated based on the performance criteria parameters agreed for each segment. These include, but are not limited to: financial performance, exploration activity, mine yield, production volumes and cost controls.

Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

Segment Information

The following tables present revenue and profit information about the Group’s operating segments for the year ended 30 June 2016 and 2015 respectively.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue and other income</td>
<td>-</td>
<td>10,221,392</td>
<td>38,467</td>
<td>18,903,919</td>
<td>(10,600,862)</td>
<td>18,562,916</td>
</tr>
<tr>
<td>EBITDAX*</td>
<td>(6,083,370)</td>
<td>5,329,745</td>
<td>(58,569)</td>
<td>(773,799)</td>
<td>(5,623,156)</td>
<td>(7,809,149)</td>
</tr>
<tr>
<td>Less Depreciation &amp; Amortisation</td>
<td>(11,826)</td>
<td>(476,209)</td>
<td>(19,493)</td>
<td>(1,673,927)</td>
<td>476,209</td>
<td>(1,705,246)</td>
</tr>
<tr>
<td>EBITX**</td>
<td>(6,695,196)</td>
<td>4,853,536</td>
<td>(78,062)</td>
<td>(2,447,726)</td>
<td>(5,146,947)</td>
<td>(9,514,395)</td>
</tr>
<tr>
<td>Less Interest</td>
<td>3,412,850</td>
<td>(1,217,632)</td>
<td>(199,475)</td>
<td>(1,318,453)</td>
<td>(202,789)</td>
<td>474,501</td>
</tr>
<tr>
<td>EBITX***</td>
<td>(3,282,346)</td>
<td>3,635,904</td>
<td>(277,537)</td>
<td>(3,766,179)</td>
<td>(5,349,736)</td>
<td>(9,039,934)</td>
</tr>
<tr>
<td>Less Foreign currency gains/(losses)</td>
<td>(58,720)</td>
<td>-</td>
<td>(24,150)</td>
<td>(2,456,768)</td>
<td>(12,622)</td>
<td>(2,552,260)</td>
</tr>
<tr>
<td>Less share of fx loss of joint venture</td>
<td>-</td>
<td>(18,284,359)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(18,284,359)</td>
</tr>
<tr>
<td>Segment profit/(loss) before tax</td>
<td>(3,341,066)</td>
<td>(14,648,455)</td>
<td>(301,687)</td>
<td>(6,222,947)</td>
<td>1,921,493</td>
<td>(22,592,662)</td>
</tr>
</tbody>
</table>

Inter-segment interest of $1,921,493 is eliminated on consolidation.
NOTE 24: Segment Reporting (continued)

<table>
<thead>
<tr>
<th>Year ended 30 June</th>
<th>Orocobre Ltd</th>
<th>Olaroz project</th>
<th>South American Salars</th>
<th>Borax</th>
<th>Eliminations</th>
<th>Total Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue and other income</td>
<td></td>
<td></td>
<td>133,579</td>
<td>21,065,441</td>
<td>-</td>
<td>21,199,020</td>
</tr>
<tr>
<td>EBITDAX*</td>
<td>(6,611,614)</td>
<td>(39,935)</td>
<td>93,238</td>
<td>(2,126,380)</td>
<td>905,881</td>
<td>(7,776,832)</td>
</tr>
<tr>
<td>Less Depreciation &amp; Amortisation</td>
<td>(15,740)</td>
<td>(552)</td>
<td>(41,207)</td>
<td>(1,302,692)</td>
<td>552</td>
<td>(1,359,639)</td>
</tr>
<tr>
<td>EBITX**</td>
<td>(6,627,354)</td>
<td>(40,507)</td>
<td>52,029</td>
<td>(3,429,072)</td>
<td>906,433</td>
<td>(9,138,471)</td>
</tr>
<tr>
<td>Less Interest</td>
<td>278,671</td>
<td>84</td>
<td>(197,997)</td>
<td>(1,112,358)</td>
<td>34,934</td>
<td>(996,666)</td>
</tr>
<tr>
<td>EBTX***</td>
<td>(6,348,683)</td>
<td>(40,423)</td>
<td>(145,968)</td>
<td>(4,541,430)</td>
<td>941,367</td>
<td>(10,135,137)</td>
</tr>
<tr>
<td>Less Foreign currency gains/(losses)</td>
<td>9,072,999</td>
<td>-</td>
<td>(21,938)</td>
<td>(380,906)</td>
<td>(15,614)</td>
<td>8,654,541</td>
</tr>
<tr>
<td>Less share of fx loss of joint venture</td>
<td>-</td>
<td>(149,063)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Segment profit/(loss) before tax</td>
<td>2,724,316</td>
<td>(189,486)</td>
<td>(167,906)</td>
<td>(4,922,336)</td>
<td>885,330</td>
<td>(1,670,082)</td>
</tr>
</tbody>
</table>

Inter-segment interest of $885,330 is eliminated on consolidation.

*EBITDAX - Segment earnings before Interest, taxes, depreciation, amortisation, and foreign currency gains/(losses)
**EBITX - Segment earnings before Interest, taxes, and foreign currency gains/(losses)
***EBTX - Segment earnings before taxes and foreign currency gains/(losses)

The following tables present segment assets and liabilities of the Group’s operating segments as at 30 June 2016 and 2015:

### As at 30 June 2016

<table>
<thead>
<tr>
<th>Segment</th>
<th>Corporate</th>
<th>Olaroz project</th>
<th>South American Salars</th>
<th>Borax</th>
<th>Eliminations</th>
<th>Total Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong> Segment assets</td>
<td>177,741,574</td>
<td>35,061,038</td>
<td>4,749,316</td>
<td>43,130,465</td>
<td>(44,854,857)</td>
<td>215,827,536</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong> Segment liabilities</td>
<td>808,388</td>
<td>433,005</td>
<td>11,670,222</td>
<td>54,638,991</td>
<td>(41,150,059)</td>
<td>26,400,547</td>
</tr>
</tbody>
</table>

### As at 30 June 2015

<table>
<thead>
<tr>
<th>Segment</th>
<th>Corporate</th>
<th>Olaroz project</th>
<th>South American Salars</th>
<th>Borax</th>
<th>Eliminations</th>
<th>Total Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong> Segment assets</td>
<td>102,711,671</td>
<td>77,493,510</td>
<td>7,209,965</td>
<td>33,778,091</td>
<td>(27,401,112)</td>
<td>193,792,125</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong> Segment liabilities</td>
<td>1,959,289</td>
<td>449,275</td>
<td>11,426,277</td>
<td>40,599,620</td>
<td>(23,695,907)</td>
<td>30,738,554</td>
</tr>
</tbody>
</table>

### OTHER DISCLOSURES

**Investment in a JV (Note 13)**
- 35,061,038

**Capital Expenditure (Note 10 & Note 11)**
- (248,077)

Segment accounting policies
Segment accounting policies are consistent with those adopted in the annual financial statements of the Group.

Reconciliation of profit

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment profit before tax</td>
<td>(22,592,662)</td>
<td>(1,670,082)</td>
</tr>
<tr>
<td>Group profit before tax</td>
<td>(22,592,662)</td>
<td>(1,670,082)</td>
</tr>
</tbody>
</table>

Reconciliation of assets

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment operating assets</td>
<td>306,585,778</td>
<td>251,885,944</td>
</tr>
<tr>
<td>Inter-segment loans (eliminations)</td>
<td>(66,664,129)</td>
<td>(39,660,739)</td>
</tr>
<tr>
<td>Inter-segment investments (eliminations)</td>
<td>(24,094,113)</td>
<td>(18,433,080)</td>
</tr>
<tr>
<td>Group operating assets</td>
<td>215,827,536</td>
<td>193,792,125</td>
</tr>
</tbody>
</table>

Reconciliation of liabilities

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment operating liabilities</td>
<td>93,064,676</td>
<td>70,399,202</td>
</tr>
<tr>
<td>Inter-segment loans (eliminations)</td>
<td>(66,664,129)</td>
<td>(39,660,739)</td>
</tr>
<tr>
<td>Group operating liabilities</td>
<td>26,400,547</td>
<td>30,738,554</td>
</tr>
</tbody>
</table>
NOTE 24: Segment Reporting (continued)

Geographic Information

Revenues from external customers

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>18,562,916</td>
<td>21,199,020</td>
</tr>
<tr>
<td>Argentina</td>
<td>18,562,916</td>
<td>21,199,020</td>
</tr>
<tr>
<td>Total</td>
<td>37,125,832</td>
<td>42,398,040</td>
</tr>
</tbody>
</table>

The revenue information above is based on the locations of the origin of the sale.

Segment Assets

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>177,741,574</td>
<td>102,711,671</td>
</tr>
<tr>
<td>Argentina</td>
<td>38,085,962</td>
<td>91,080,454</td>
</tr>
<tr>
<td>Total</td>
<td>215,827,536</td>
<td>193,792,125</td>
</tr>
</tbody>
</table>

Segment Liabilities

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>808,388</td>
<td>1,959,289</td>
</tr>
<tr>
<td>Argentina</td>
<td>25,592,159</td>
<td>28,779,265</td>
</tr>
<tr>
<td>Total</td>
<td>26,400,547</td>
<td>30,738,554</td>
</tr>
</tbody>
</table>

NOTE 25: Events After the Reporting Period

Following the arbitration proceedings against Rio Tinto Minerals (RTM), the arbitrator has ruled in favour of RTM which has resulted in RTM’s legal costs of US$0.9m having to be borne by Orocobre. Such legal fees were paid post balance sheet date.

NOTE 26: Parent Entity Information

The following information relates to the parent entity, Orocobre Limited at 30 June 2016. This information has been prepared in accordance with Accounting Standards using consistent accounting policies as presented in Note 1. The information is extracted from the books and records of the parent.

Current assets | 45,125,733 | 12,693,867 |
Non-current assets | 244,327,443 | 197,536,571 |
**Total assets** | 289,453,176 | 210,230,438 |
Current liabilities | 808,388 | 1,959,289 |
Non-current liabilities | 433,005 | 449,275 |
**Total liabilities** | 1,241,393 | 2,408,564 |
Contributed equity | 242,248,318 | 158,459,067 |
Reserves | (44,372,841) | (43,798,243) |
Accumulated profits/(losses) | 90,336,306 | 93,161,050 |
**Total equity** | 288,211,783 | 207,821,874 |
Profit/(loss) for the year | (2,824,744) | (5,146,350) |
**Total comprehensive profit/(loss) for the year** | (2,824,744) | (5,146,350) |

Orocobre Limited entered into a guarantee, in the previous financial year, in relation to a loan for its subsidiary, Borax S.A. (see Note 21). The company had no contingent liabilities at year end. As set out in Note 20 the Company has an operating lease commitment for US $284,874 (2015: US $405,293).

NOTE 27: Company Details

The registered office and principal place of business is: Level 1, 349 Coronation Drive, Milton, Queensland 4064, Australia.
Directors Declaration

Directors’ Declaration

In accordance with a resolution of the directors of Orocobre Limited, I state that:

1. In the opinion of the directors:

   (a) the financial statements and notes of Orocobre Limited for the financial year ended 30 June 2016 are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the consolidated entity’s financial position as at 30 June 2016 and of its performance for the year ended on that date; and

      (ii) complying with Accounting Standards and the Corporations Regulations 2001;

   (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors by the

   Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2016.

Robert Hubbard    Richard P Seville
Chairman      Managing Director
Dated this: 19th day of September 2016
Independent auditor's report to the members of Orocobre Limited

We have audited the accompanying financial report of Orocobre Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of Orocobre Limited is in accordance with the Corporations Act 2001, including:
   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.
Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion


Ernst & Young

Kellie McKenzie
Partner
Brisbane
19 September 2016