

# 1

## HIGHLIGHTS OF THE YEAR

### Olaroz Project

#### LITHIUM-POTASH SALT LAKE

- Attractive grades of lithium and potassium in solution confirmed at surface – 650ppm lithium and 1.7% potassium chloride over the entire area of the 76 square kilometres cateos (exploration licenses) and 730ppm lithium and 1.9% potassium chloride over a contiguous area of 50 square kilometres.
- Initial processing test work shows an in-situ low magnesium:lithium ratio reducing to 1:1 with evaporation and the applicability of traditional processing techniques.
- Project Manager and Senior Project Geologist appointed.
- First drilling programme commenced in September.
- Strong potash market highlights the potential for co-production of a muriate of potash product as well as lithium chemicals.

### Santo Domingo Projects

#### COPPER/GOLD PORPHYRY, BRECCIA PIPE & EPITHERMAL PRECIOUS METALS TARGETS

- New epithermal gold project at Marayes acquired approximately 20kms south of the El Arriero copper/gold porphyry. Previous channel sampling includes 22m at 3 g/t gold.
- A new area of exposed alteration and mineralisation discovered at “Alunita” located 2kms from El Arriero. Gold stream sediment samples results were highly elevated up to 7.9 g/t gold.
- The El Arriero Porphyry was extended to approximately 2.0 kms by 600m to 800m.
- The Project area is developing into a mineralised belt. Further targets are expected to be generated in the vicinity over time.
- Access routes surveyed for Alunita gold porphyry.
- EIS approvals process advancing for El Arriero copper-gold porphyry target.

### Corporate

- Listed on the ASX on the 4th December 2007 after raising \$6.25m (before costs) in over subscribed IPO.
- >\$5.2m cash on hand at end of FY2008.

# 2

## CHAIRMAN'S LETTER



On behalf of the Board of Directors it is with pleasure that I present to you the 2008 Annual Report of Orocobre Limited.

The past 12 months have been a very exciting period for the Company with its listing on the ASX and advancing our projects in Argentina.

Details of this work and results are given in the "Review of Projects" section of this report.

The Company's share price has experienced significant volatility since listing due to a series of unusual general market circumstances. At the time of writing, we are at around our IPO price which is a strong relative performance compared to both ASX indices and our peers in resources. This clearly reflects our shareholders' attitude towards their company and the investment thesis-creating value from large target exploration. This certainly is exemplified by our two lead projects, the Olaroz and Santo Domingo Projects which have very large exploration targets in commodities and are expected to have long term demand growth and soft supply response. More about these projects is presented in the projects review.

None of the progress of your Company would be possible without the efforts of its Managing Director, Richard Seville and his committed team in Argentina. There are many people to acknowledge in Argentina and I can't mention them all. However, in particular, we are grateful for the leadership and dedication of Marcelo Sanchez, Miguel Peral and Rolando Gramage.

In spite of these uncertain times, I am very confident in the Company's future. We have excellent projects in the right commodities, dedicated management and we are well funded.

For those of you who can attend, I look forward to meeting you at this year's Annual General Meeting.

Yours faithfully,

  
**Neil Stuart**  
Chairman

# 3

## REVIEW OF PROJECTS

### Introduction

This project review provides background information of the Company's main projects together with information on the work undertaken throughout the year and significant results since.

Orocobre has interests in a portfolio of large target exploration properties in Argentina. The tenements cover commodities such as copper, lithium and potash where demand growth is strong and where supply side responses are more limited than most other commodities. In addition the company has precious metals targets. The locations of the main projects are shown in Figure 1.



**Figure 1:** General location of Argentinian projects.

# Olaroz Project

## LITHIUM-POTASH SALT LAKE

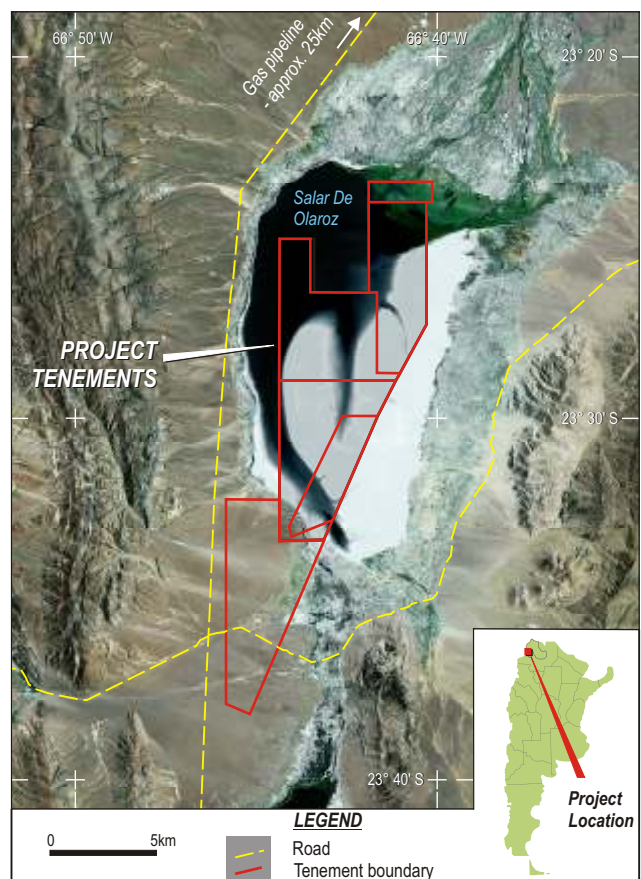
### Introduction and Background

The Olaroz Project is located in the Puna region of Jujuy, approximately 230 km northwest of the capital city of Jujuy at an altitude of 3500m above sea level. Infrastructure is good. Olaroz is located adjacent to the totally paved Highway 16, which connects to the international border with Chile about 40 km to the west and there are two natural gas pipelines close to the Salar.

The project has tenements covering approximately 130 sq km. The general location of the project is shown in Figure 2, while Figure 3 is a satellite image with an overlay of the tenement boundaries and location of roads.



**Figure 2:** Salar Olaroz Project - General location, Jujuy Province.



**Figure 3:** Salar Olaroz Project - Tenements and infrastructure.



Various government and non-government agencies did work on the assessment of the economic potential of the Andean salt lakes in the 1970's and 1980's for the production of lithium and potash. In the early 1990's production of lithium carbonate commenced at the Salar de Atacama in Chile. There are now four producers in Chile and Argentina, producing the majority of world's lithium production, significant amounts of potash and some other salts by-products.

The lithium and potash occur in brines within the salt lakes. In a general sense, the brine lies in a sequence of sediments and evaporates. Within these are hyper-saline brines in dynamic crystallisation and dissolution within a solid halite layers. The brines are rich in the alkali metals, chlorides and sometimes other elements of potential value.

## Progress though the Year

In March, as soon as possible after the short stormy season, the Company commenced a surface sampling programme to confirm the earlier sampling. In addition a programme of processing test work was initiated.

The sampling programme was designed to excavate approximately 30 pits to a depth up to 2m on a 1km by 2km grid pattern. The programme was subsequently extended to involve more detailed sampling to investigate local variability of grade and geology. This involved excavating an additional 30 pits on a 500m by 500m pattern. The depth of the pits was often limited to 1-1.5m by the high brine flow rates into the pits as they were being dug. The company views such indications as positive from a hydrogeological perspective.

The pits were dug by hand using labour from the local community. Analysis was undertaken by ICP methods at Alex Stewart Laboratories in Mendoza. Additional analyses were also undertaken at the University of Salta using Atomic Absorption Spectrometry (AAS).

Lithium values varied from 282ppm Li to 1207ppm averaging 650ppm based on the Alex Stewart Laboratories results. Results from the University of Salta and a check assay laboratory in Canada were approximately 10% higher. Potassium chloride values ranged from 0.7% to 3.0% with an average of 1.7%. A contiguous area of approximately 50 square kilometres had an average grade of 730ppm lithium and 1.9% potassium and could provide an initial focus for any potential future development if the results are repeated with depth.

This sampling programme confirmed a large exploration target\*\* of 1.2 to 1.8Mt of lithium carbonate and 5.5 to 8.3Mt of muriate of potash.

The processing test work undertaken was performed on solutions collected from pits dug during the recently reported surface sampling programme. The test work was undertaken by Eng. Jorge Andreani at facilities both at Olaroz and in Salta. Eng. Andreani is an Emeritus Professor of Chemical Engineering from the University

of Salta and has over forty years experience in chemical engineering. The primary objectives of the test work was to understand the chemistry of the solutions as they occur in the salt lake, to monitor chemical changes with evaporation (conducted at Olaroz) and to develop a preliminary flow sheet.

Key conclusions are:

- The solutions in situ have inherently low magnesium/lithium ratios in the order of 2.2.
- With evaporation, the Mg/Li ratio decreases to approximately 1. This reduction occurs because the magnesium precipitates as magnesium sulphate leaving a high grade lithium and potassium solution behind for further processing.
- Traditional processing routes involving evaporation and precipitation (using locally available reagents) can be used to produce intermediate and high purity final lithium carbonate products with attractive reagent consumption levels.



*\*\* The exploration target at Olaroz is based on the estimated potential volume of the salt lake to a depth of 40-60m, assumed porosity of 10%, assumed solution grades from recent surface sampling, ranging from 280ppm to 1,200ppm lithium and 0.4% to 1.6% potassium and a conversion rate of 1 tonne of lithium metal produces to 5.32 tonnes of lithium carbonate and 1 tonne of potassium produces 1.91 tonnes of muriate of potash. These targets are conceptual in nature as there has been insufficient exploration to define a Mineral Resource to a JORC standard and it is uncertain if further exploration will result in the determination of a Mineral Resource*

In September, the company commenced its first drilling programme. Just completed, it comprised the drilling of 16 HQ cored holes (for 1153m) spread over the 7,600 hectares of tenements. The depth of these holes was generally around 50m but two holes were extended to test the depth of the salt lake and showed it to be more than 200m deep (the maximum rod length). The drilling showed the salt lake to be sedimentary sequenced with a number of halite layers through the sequence.



## Programme Looking Forward

The brines in the salt lake are now being sampled by pumping from the drill holes. These samples will allow the grades of the lithium and potash in the sub-surface brines to be measured. Subject to acceptable grades, this will allow a resources estimate to be undertaken this quarter.

Various hydrogeological tests will also be undertaken on the drill holes. At this stage, these will not include pump tests as originally planned as the ground conditions required all holes to be cased from surface and consequently the internal diameter within the casing is not sufficient for the required pump size. Pump tests will be undertaken in the future on fully cased larger diameter holes which will require different drilling equipment to achieve the diameters required. This will either be undertaken before December or in the June quarter.



The second stage of processing test work has commenced and should be completed at the end of January 2009. Once completed, and coupled with the resource estimate, the Company will be able to complete a scoping study for the project.

# Santo Domingo Project

## COPPER/GOLD PORPHYRY, BRECCIA PIPE & EPITHERMAL PRECIOUS METALS TARGETS

### Introduction and Background

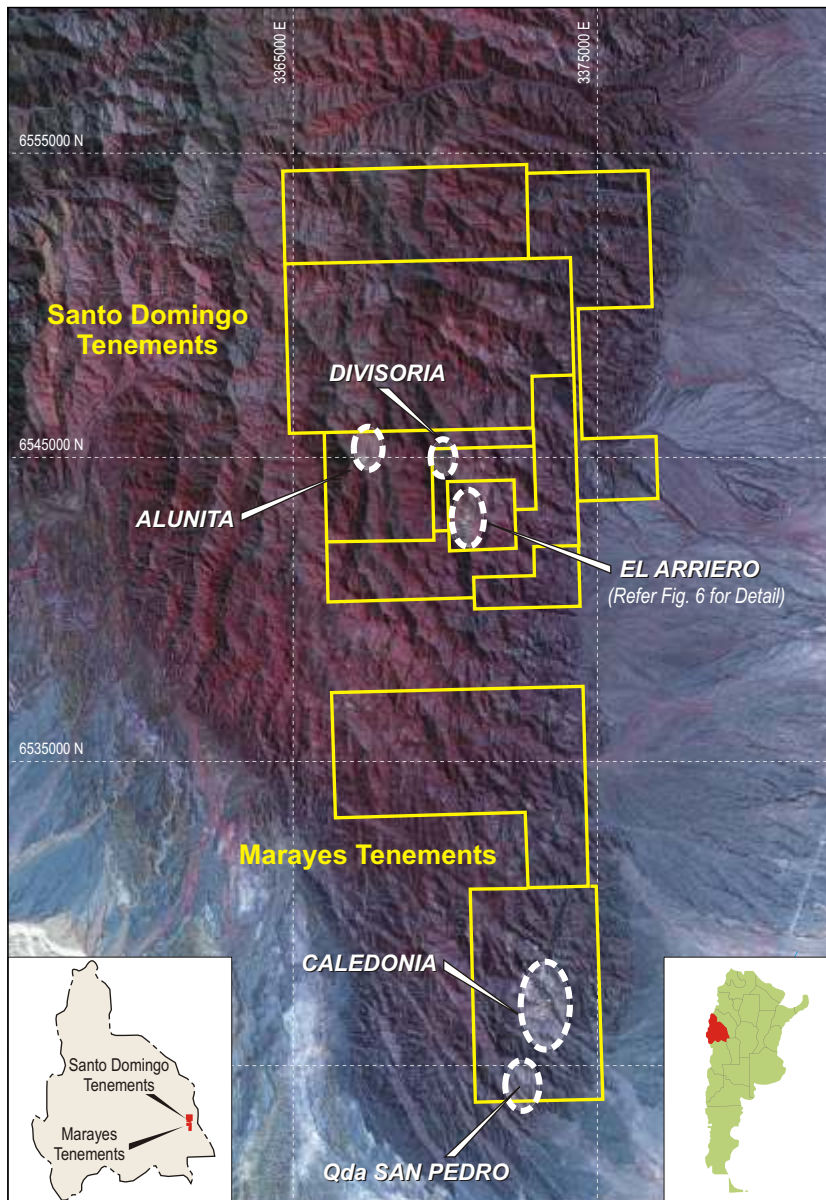
Substantial progress has been made during the year at the Santo Domingo Project. At the time of the Company's IPO, there was only one target within the Company's tenements, the El Arriero Porphyry (formerly Santo Domingo). During the year, this has been increased to four targets, both through the results of exploration and via transaction, and the Company has developed a significant land position in what appears to be developing as a belt of porphyry and epithermal mineralisation. The area is prospective for large target copper, gold and molybdenum and precious metals.

The project area comprises approximately 21,500 hectares (ha) (excluding recent applications) and is located in the Sierra de Chucuma in San Juan Province (Figure 4). This is a mountain range of modest altitudes (some 1,200 metres at the project area) and although the area is remote from habitation there is a sealed road only 20 km to the east. The regional city of San Juan is located approximately 1 hours drive away from where the access meets the sealed road.



**Figure 4:** Location of Santo Domingo Project in San Juan Province.





**Figure 5:** Santo Domingo tenement location and prospect targets.



Regionally the project is located in the Sierra de la Huerta and its northern extension (Sierra de Valle Fertil) which form part of the Sierras Pampeanas (Pampa Mountain chain). This geological belt is made up of Precambrian metamorphics and Palaeozoic intrusives and volcanics rhyolitic porphyries, granites, tonalites, dacitic and andesitic porphyries etc. The area has supported historic mining operations for lead, silver and gold.

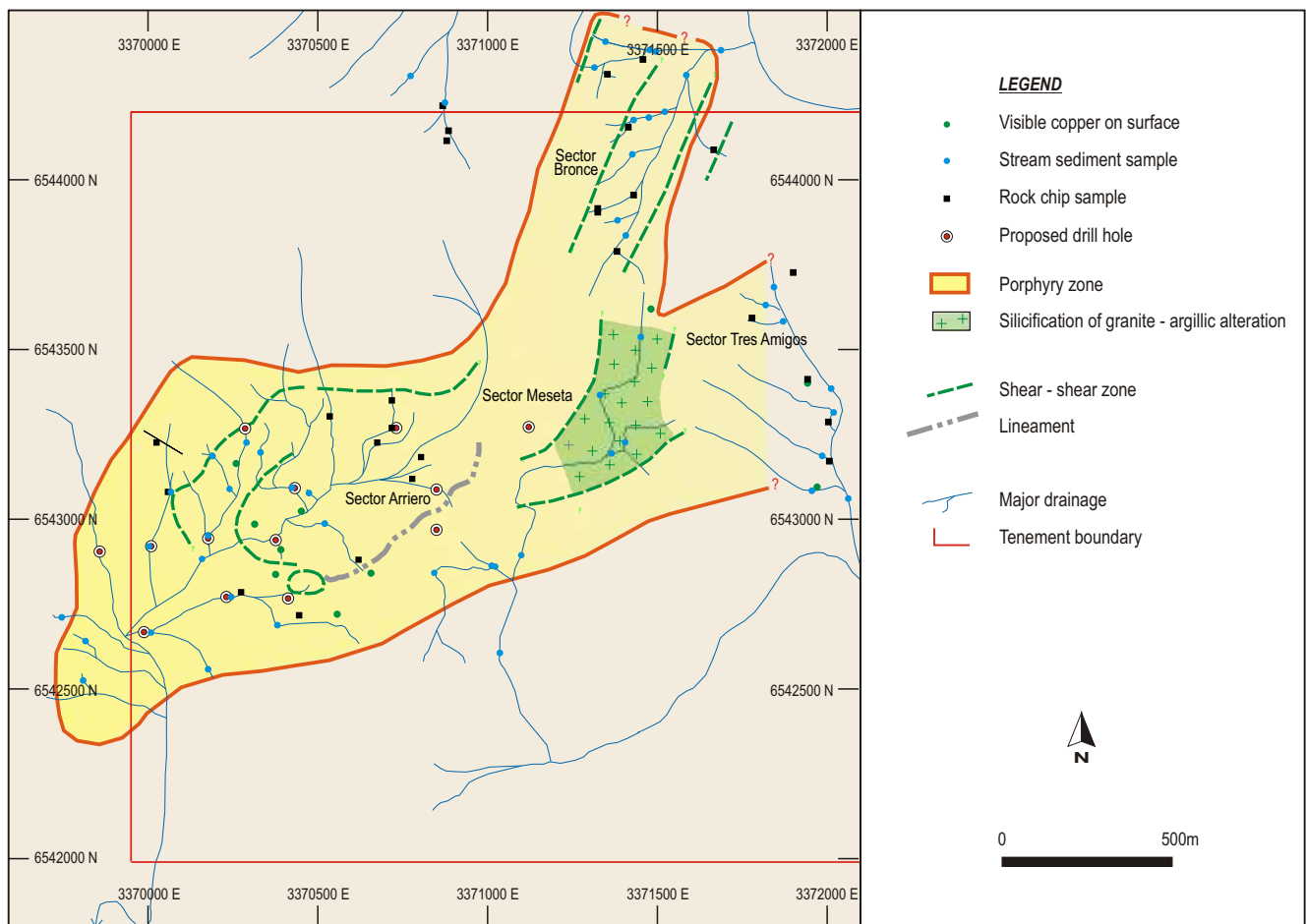
Exploration so far has included satellite image (ASTER) interpretation, stream sediment surveys, geological mapping and rock chip sampling. The work has lead to a number of new discoveries of large areas of alteration and mineralization of both a porphyry and epithermal styles.

## El Arriero

El Arriero was previously (in the IPO) referred to as Santo Domingo.

Outcrops are of silicified acid to intermediate extrusive volcanics. Potassic alteration is present in the centre associated with elevated copper and molybdenum values. On the western side of the anomaly, siliceous, pyritised and fractured rocks carry anomalous gold and copper values associated with vein and argillic alteration. Strong propylitic alteration in the west and north is also present. In the higher topographic exposures alunite, kaolinite, strong silicification and banded quartz have been interpreted as evidence for the upper levels of the system. To the north of the main mineralisation, two other target areas of similar size and several smaller areas have yielded anomalous results suggestive of a similar mineralising system.

The highest gold grade from the rock chip sampling came from a sample located in the northwest of the prospect area (4.64 g/t Au). Elevated copper values are widespread with generally elevated assays of Au and Mo (up to 900 ppm) are common.



**Figure 6:** El Arriero Porphyry zone - geochemistry and geology.

Further follow-up field surveys in the general vicinity of the El Arriero has extended observed areas of hydrothermal alteration and mineralisation (elevated copper and gold values and some visible copper mineralisation) to an area of some 2000m by 600-800m. Recent mapping has also shown zoned potassic-phyllitic-argillic-propylitic-siliceous alteration areas.

The cateo which includes the El Arriero Porphyry target has been granted and an Environmental Impact Statement has been submitted to the government which, once approved, will allow higher impact field work including drilling. This is expected to occur in the second half of FY2009



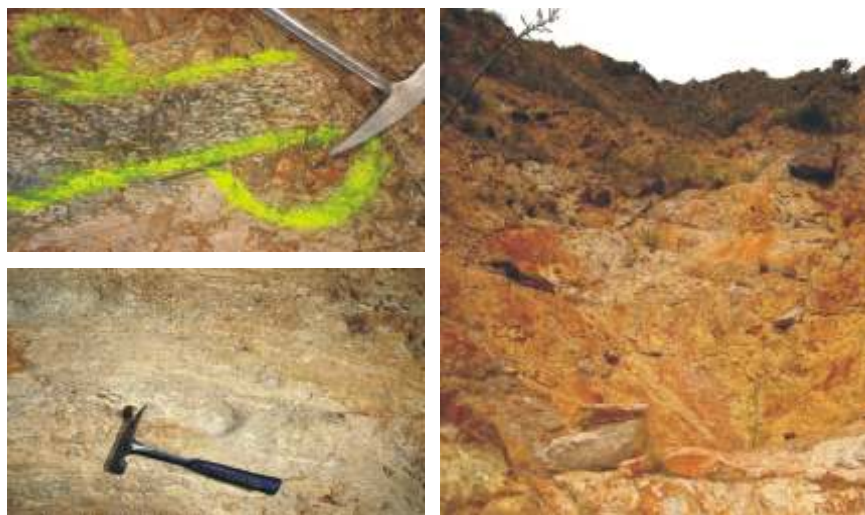
**Figure 7:** Helicopter view of main alteration zone El Arriero porphyry area.



## New Discoveries at Alunita and La Virgen

Two new areas of alteration and mineralisation named “Alunita” and “La Virgen” have been discovered. These are located within existing tenements approximately 2 kilometres and 6 kilometres respectively from the Santo Domingo porphyry. The mineralisation was discovered following up spectral anomalies from ASTER satellite images. New tenements have been applied for over other spectral anomalies.

At **Alunita**, an alteration zone covering approximately 25 hectares was discovered with elevated gold values in both rock chip and stream sediment samples. The rock types are altered rhyolitic intrusives, tuffs and breccias (milled and flow breccias). A concentric pattern of alteration has been observed (from outer argillic to phyllic to interior potassic). Intense and extensive silicic alteration occurs associated with high levels of sulphides. Due to the topography, it is also interpreted that this zone of alteration may extend under the overlying rocks.



**Figure 8:** Outcropping rocks at Alunita  
- mill breccia (lower left) , flow breccia (upper left) and sulphide breccia (right).

Alunita is interpreted as collapsed volcanic pipe with a porphyry overprint. Seven of 16 stream sediment samples returned assays in excess of 0.2 g/t gold with the three highest values being 7.6 g/t, 1.1 g/t and 0.8 g/t gold. Follow up rock chip sampling showed elevated values of gold and silver associated with fine grained sulphides



*View from helicopter of part of alteration zone at Alunita prospect.*

Preparation of an Environmental Impact Statement which will allow higher impact fieldwork has commenced.

At **La Virgen**, satellite imagery spectral anomalies indicating alunite-kaolinite and iron oxide alteration are evident over a large area (1500m by >250m). The area also displays circular and arcuate structures, outcropping altered granitoids and pyritic, siliceous breccia with visible oxidized copper mineralization. Rock chip samples on the veins commonly returned elevated values for lead, zinc, mercury, copper and barium. The chemistry and alteration also suggest that this system may be the lower part of an epithermal system. Taking topography into account, this highlights the prospectivity to the higher elevation strike continuation to the east and this will be targeted with future campaigns.

## Marayes - A new Gold Project

Orocobre entered into an agreement to acquire 100% of the Marayes gold project in the San Juan province, Argentina. The area to be acquired covers two cateos and one minas (equivalent to exploration license and mining lease respectively) covering an area of approximately 6833 hectares located about 20 kilometres south of the company's large El Arriero copper-gold porphyry and Alunita gold breccia pipe/porphyry targets.

This area covers a number of targets including sequences of gold bearing altered rocks, large breccia zones and high grade gold and base metals veins.

The Marayes area has been mined historically for gold, silver, lead and zinc. Records indicate gold occurs in breccias, veins and zones of alteration in a metamorphosed and sometimes altered sequence of gneiss, limestone and tuffs.

One of the lodes is reported to vary from 1-6m thick with a length of 650m. In the late 1940's it was briefly mined producing 225kg of gold at a recovered grade of 14g/t. A breccia zone adjacent to the vein is reported by the Chief Government Geologist of the time to be up to 60m thick and grading around 2 g/t gold. The wall rocks adjacent are also reported as mineralised with grades from 1 g/t to 10 g/t gold. More recent rock chip sampling has confirmed this picture with sampling over a section of altered vein material, gneiss and tuff giving 22m at 3.0 g/t gold including 2m at 26.4 g/t gold over the altered vein. Additional sampling gave 14m at 4.4g/t gold and 3m at 27.1 g/t gold. Other veins have sampled grades up to 15% zinc both associated with and without gold.

The area is considered to have evidence of multiple phases of mineralisation including both mesothermal lead-zinc-silver mineralisation and high sulphidation epithermal gold-silver mineralisation. Mineralisation occurs in a number of settings including veins, breccias and altered country rocks.

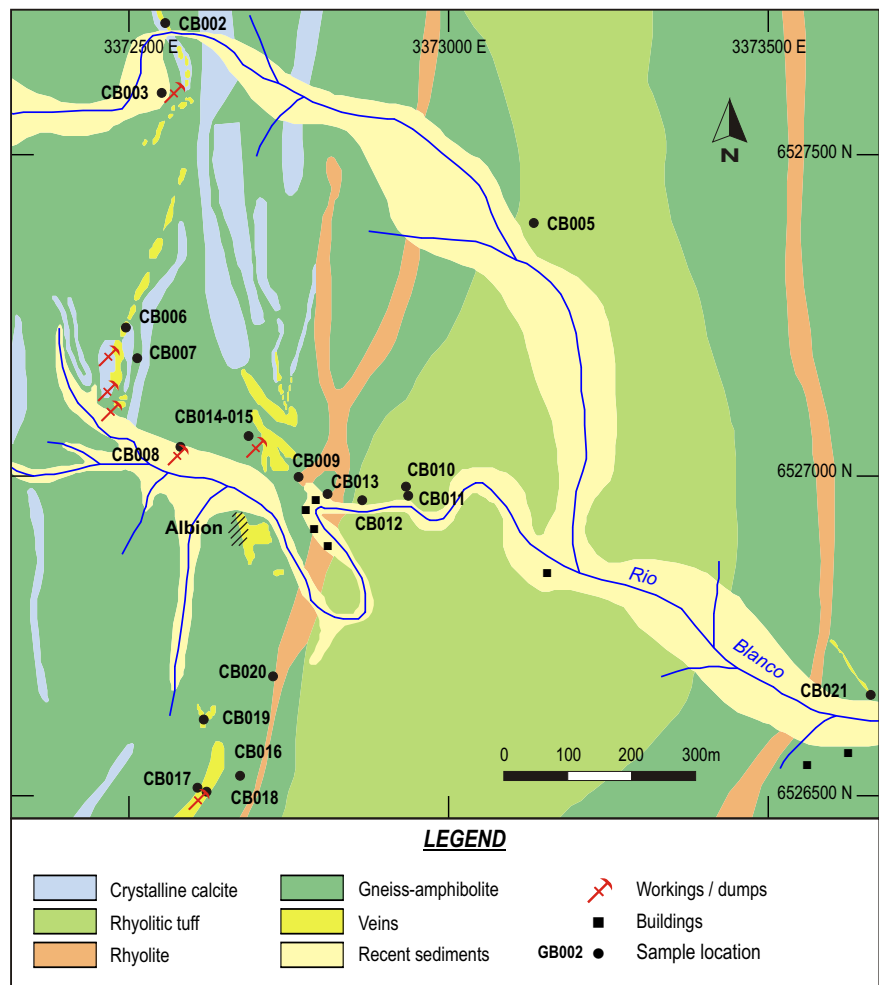


Figure 9: Marayes prospect - geological mapping. (Sample results below)

Sample No	Metres	Au g/t	Zn %	Ag g/t
CB001	1.5	0.0	0.1	0.1
CB002	3.0	0.0	0.0	0.1
CB003	mullock	1.1	6.1	97.2
CB004	2.5	0.0	15.0	2.0
CB005	3.0	0.0	0.2	2.9
CB006	6.0	0.7	2.8	48.9
CB007	1.5	0.3	6.1	4.4
CB008	1.3	0.0	0.3	0.9
CB009	1.5	0.0	0.1	1.3
CB010	2.0	0.1	0.0	1.3
CB011	mullock	0.0	0.0	0.3
CB012	2.0	0.2	0.5	1.3
CB013	20.0	0.1	0.1	0.7
CB014	14.0	4.4	0.2	0.8
CB015	3.0	27.1	0.0	7.8
CB016	1.5	0.1	0.0	0.6
CB017	2.0	0.0	0.4	3.9
CB018	mullock	5.3	16.1	113.8
CB020	1.2	0.1	0.2	1.9
CB021	1.5	3.4	0.0	4.2



# **OROCOBRE LIMITED**

**ABN 31 112 589 910**

**FINANCIAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2008**

## Corporate Governance Statement

Orocobre Limited (“Orocobre” or the “Company”) is an exploration company that has acquired exploration rights over the last 3 years to a number of mineral exploration properties in Argentina and is undertaking exploration on these properties. As an operator in an international context, the Board believes that fostering high governance standards reflects the Company’s commitment to corporate integrity and enhancing shareholder value.

This Corporate Governance Statement outlines the key principles and practices of the Company, which represents our system of governance. The Company’s Board is committed to implementing best practice corporate governance procedures and has adopted *The Corporate Governance Principles and Recommendations as released by the ASX Corporate Governance Council* on 2 August 2007 (the “Principles”) as the basis for its corporate governance policies.

In viewing this Statement, shareholders are reminded that the Company is a recently listed, junior exploration company operating in a volatile market, committed to maintaining a lean and efficient corporate structure. The Company advises that where its practices are not entirely consistent with the ASX Principles this is because the Board considers some of the recommendations not to be applicable to the Company’s size and the nature of its current operations. However, the Board and Management of the Company are committed to the progressive implementation of the Principles, appropriate to each stage of the Company’s development.

Summaries of compliance with the principles are provided below.

### **PRINCIPLE 1: SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

#### **Lay Solid foundations for management and oversight**

The Board’s role is to govern the Company and to ensure that it represents effectively the interests of all shareholders. In governing the Company, the Directors must act in the best interests of the Company as a whole. The Executive Directors manage the day to day activities of the Company in accordance with the direction and delegations of the Board and the Board oversees the activities of the Executive Directors in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

#### **1.1 Companies should establish the functions reserved to the board and those delegated to the senior executives and disclose these functions.**

The Company has developed a Board Charter, which documents the respective roles and responsibilities of the Board and senior executives. In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company. The Board is collectively responsible for ensuring the success of the Company by:

- supervising the Company’s framework of control and accountability systems to enable risk to be assessed and managed;
- ensuring the Company is properly managed by:
  - appointment and removal of the Managing Director, the Chief Financial Officer and the Company Secretary;
  - input into and final approval of management's development of corporate strategy, goals and performance objectives;
  - reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
  - monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
  - acting with honesty, integrity and fairness;

- approving and monitoring the progress of major capital expenditure, capital management, acquisitions and disposals (including farm-in, farm-out and joint venture agreements);
- approving budgets;
- approving and monitoring financial and other reporting;
- overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;
- liaising with the Company's external auditors;
- adopting a formal code of conduct to be followed by the all directors, employees and contractors; and
- monitoring, and ensuring compliance with, all of the Company's legal obligations, in particular those obligations relating to the environment, native title, cultural heritage and occupational health and safety.

The Board must convene regular meetings with such frequency as is sufficient to appropriately discharge its responsibilities.

Newly appointed directors will be provided with formal appointment letters setting out the key terms and conditions regarding their appointment. Similarly senior executives (the Managing Director and Executive Chairman) are provided with formal job descriptions and letters of appointment clearly stating their term of office, duties, rights and responsibilities, and entitlements on termination.

The Board charter is available in the corporate governance section of the Orocobre website.

## **1.2 Companies should disclose the process for evaluating the performance of senior executives.**

Senior executives' performance is reviewed against a range of quantitative and qualitative measures and the Board considers the past performance of Orocobre as well as the executive. Any remuneration reviews also take into account length of service, particular experience of the individual concerned, overall performance of Orocobre and the individual and market practice with respect to comparable positions.

The Board reviews the Managing Director's performance and the Managing Director reviews other executives' performance. The results of the Managing Director's performance reviews of senior executives are reported to the Board for information. The performance of senior executives is reviewed on a formal basis annually. Because the Company was recently listed and consultancy agreements have been in place for less than 12 months, this review has not yet taken place for 2008.

## **PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE**

### **Structure the board to add value**

To add value to the Company, the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The Board of Orocobre currently comprises of five Directors, two of which are executive directors, Mr Neil Stuart, who is the Executive Chairman and Mr Richard Seville, who is the Managing Director and Chief Executive Officer. The remaining three directors, Mr Dennis O'Neill, Mr Jack Tan and Mr Paul Crawford are non- executive directors. Further details of the Directors such as their qualifications and experience along with their term of office are set out in the Directors' Report.

Within the cost limits appropriate to a company of Orocobre's size, the Board has been structured to provide optimum experience and oversight of the Company's operations. All Directors should bring specific skills and experience that add value to the Company. The Board considers that, between them, the existing Directors bring the range of skills, knowledge and experience necessary to govern the Company effectively. The Board regularly reviews its composition, skill base and effectiveness of the Board.

### **2.1 A majority of the board should be independent directors.**

Orocobre is not compliant with this Recommendation. As at the date of this report, the Board comprises two executive directors and three non-executive directors, two of whom are independent. Of the non-executive directors, Mr Crawford is the principal of a firm that provides accounting,

company secretarial, corporate and financial management services to the Company and therefore does not meet the criteria for independence. However, the Board considers it appropriate for him to remain a member of the Board. The other two non-executive Directors, Messrs O'Neill and Tan meet the criteria for independence proposed by the Principles.

While determining the independent status of Directors, the Board has considered whether the Director:

- a) holds less than five percent of the voting shares of the Company (in conjunction with their associates); or is an officer of the Company, or otherwise associated directly with a shareholder of more than five percent of the voting shares of the Company;
- b) has within the last three years, been employed in an executive capacity by the Company or another group member;
- c) has within the last three years been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided. In this context, the relationship with the professional adviser or consultant shall be deemed to be material if payments from the Company exceed 10% of the Company's annual expenditure to all professionals and consultants or exceed 10% of the recipient's annual revenue for advisory or consultancy services;
- d) is a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer. In this context, the relationship with the supplier or customer shall be deemed to be material if annual payments to or from that supplier or customer exceed 10% of the annual consolidated gross revenue of either the Company or that supplier or customer; and
- e) has a material contractual relationship with the Company or other group member other than as a director of the Company.

The size, nature of activities and stage of development of the Company does not justify expanding or restructuring the Board at this time.

## **2.2 The chair should be an independent director.**

Orocobre is not compliant with this Recommendation. The Board chooses the most suitable candidate to lead the Board. At this time in the Company's development, the most suitable person to be appointed Chairman is Mr Stuart

## **2.3 The roles of chairperson and chief executive officer should not be exercised by the same person.**

Orocobre is compliant with this Recommendation. The chairman performs executive functions but is not considered the chief executive officer.

The Company's Managing Director, Mr Seville is the chief executive officer. In conjunction with the Executive Chairman, he is responsible for running the affairs of the Company under delegated authority from the Board, including the implementation of the policies and strategy set by the Board. There is a clear division of responsibilities between the Chair and the Chief Executive Officer

## **2.4 The board should establish a nomination committee.**

Orocobre is not compliant with this Recommendation. The role of the nomination committee has been assumed by the full Board. The size and nature of the Company's activities do not justify the establishment of a nomination committee at this time. The nomination committee will be established as and when the need for such a committee arises.

The Board has a policy and procedure for nominating and appointing new directors. Candidates for the Board are considered and selected by reference to a number of factors which include, but are not limited to, their relevant experience and achievements, independence, compatibility with other Board members, credibility within the Company's scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities. Directors are initially appointed by the full Board, subject to election by shareholders at the next general meeting. Directors are required to retire and be subject to re-election by shareholders at least every three years.

This procedure can also be found in the Board Charter on the Company's website.



## **2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.**

Due to being only recently listed, the Board has not yet conducted a formal performance review process. However, the Board does informally review its performance. The Board will consider implementing a more formal performance evaluation process during 2009.

### **Induction and Education**

New directors will undergo an induction process in which they will be given a full briefing on the Company. Where possible, this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new directors includes:

- details of the role and responsibilities of a director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- details of all relevant legal requirements;
- access to a copy of the Board Charter;
- guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board;
- background information on and contact information for key people in the organisation;
- an analysis of the Company ;
- a synopsis of the current strategic direction of the Company including a copy of the current strategic plan and annual budget; and
- a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all directors are encouraged to undergo continual professional development.

### **Access to information and Independent Professional Advice**

Each director has the right of access to all Company information and to the Company's executives. Further, the Board collectively and each director, subject to informing the Chairman, has the right to seek independent professional advice from a suitably qualified advisor, at the Company's expense, up to specified limits, to assist them to carry out their responsibilities. Where appropriate, a copy of this advice is to be made available to all other members of the Board.

## **PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING**

### **3.1 Companies should establish a code of conduct and disclose the code or a summary of the code.**

The Board requires high standards of conduct and responsibility from Directors and officers. As part of its commitment to recognising the legitimate interest of stakeholders, the Company has developed a Code of Conduct to guide compliance with legal and other obligations to stakeholders, which include employees, clients, customers, government authorities, creditors and the community. Directors are required to adhere to industry standards in conduct and dealings and promote a culture of honesty, fairness and ethical behaviour into its internal compliance policy and procedures as well as dealing with stakeholders.

The Company is committed to implementing this Code of Conduct. A copy of the Code is given to all contractors and relevant personnel, including directors and each individual is accountable for such compliance.

Any breach of applicable laws, accepted ethical commercial practices or other aspects of the Code of Conduct will result in disciplinary action. Depending on the severity of the breach, such disciplinary action may include reprimand, formal warning, demotion or termination of employment/engagement (as the case may be).

Similar disciplinary action may be taken against any manager who directly approves of such action or has knowledge of the action and does not take appropriate remedial action.

Breach of applicable laws or regulations may also result in prosecution by the appropriate authorities. The Company will not pay, directly or indirectly, any penalties imposed on any personnel as a result of a breach of law or regulation.

Personnel are expected to report any instances of suspected non-compliance and these will be investigated fairly. Individuals who report suspected non-compliance in good faith will be appropriately protected.

The Code of Conduct is available on the Company's website.

### **3.2 Company security trading policy**

The Company has a securities trading policy, which is appropriate for a company whose shares are admitted to trading on the ASX. According to this policy, an employee, officer or director, whilst in possession of unpublished market price sensitive information, is subject to three restrictions:

- they must not deal in securities affected by information;
- they must not cause or procure anyone else to deal in those securities; and
- they must not communicate the information to any person if they know or ought to know that the other person will use the information, directly or indirectly, for dealings in securities.

Employees, Officers and Directors are required to advise the Chairman and company secretary of their intentions prior to undertaking any transaction in the Company securities. If an employee, officer or Director is considered to possess unpublished market price sensitive information, they will be precluded from making a security transaction until after the time of public release of that information.

The security trading policy is available on the Company's website.

## **PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

### **4.1 The board should establish an audit committee.**

Orocobre is not compliant with this Recommendation. The role of the Audit Committee has been assumed by the full Board. The size and nature of the Company's activities does not justify the establishment a committee at this time. The Audit Committee will be established as and when the need for such a committee arises and when established, will be structured in accordance with the Principles.

### **4.2 The structure of the audit committee.**

In the absence of an Audit Committee, the Company does not comply with this Recommendation.

### **4.3 The audit committee has a formal charter.**

In the absence of an Audit Committee, the Company does not comply with this Recommendation.

### **4.4 Reporting on Principle 4**

#### **External auditor**

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Any appointment made by the Board must be ratified by shareholders at the next annual general meeting of the Company. Candidates for the position of external auditor of the Company must be able to demonstrate complete independence from the Company and an ability to maintain independence through the engagement period. Further the successful candidate must have arrangements in place for the rotation of the audit engagement partner on a regular basis.

The Board may select an external auditor based on criteria relevant to the business of the Company such as experience in the industry in which the Company operates, references, cost and any other matters deemed relevant by the Board. The Board reviews the performance of the external auditor on an annual basis.

## **PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**

### **5.1 Policy for compliance with continuous disclosure**

The Board has adopted a policy and rules to ensure the Company complies with its obligations under the ASX continuous disclosure rule 3.1. The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX.

In accordance with the ASX Listing Rules, the Company immediately notifies the ASX of information:

1. concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's shares; and
2. that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's shares.

Such matters are advised to the ASX immediately they are identified as being material. Upon confirmation of receipt from the ASX, the Company posts all information disclosed in accordance with this policy on its website in an area accessible by the public.

### **5.2 Reporting on Principle 5**

A summary of the Company's continuous disclosure policy is available on the Company's website.

## **PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS**

### **6.1 Communications policy**

The Board respects the rights of its Shareholders and to facilitate the effective exercise of those rights, it has adopted a policy on communication with Shareholders and implemented a set of processes to ensure timely and effective communication with Shareholders and the wider investment community. The Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the Company's website, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company and ask questions regarding the conduct of audit and about the functioning of the Company generally; and
- making it possible for shareholders to receive communication by electronic means.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

### **6.2 Reporting on Principle 6**

The Company's Shareholder Communications Policy is available on the Company's website.

## **PRINCIPLE 7: RECOGNISE AND MANAGE RISK**

### **7.1 Policies on risk oversight and management**

The Company has developed a framework for risk management and internal compliance and control systems that cover organisational, financial, environmental, sustainability, compliance, strategic, ethical conduct, technological, financial reporting market related and operational aspects of the Company's affairs.

The objective of this Risk Management Framework is to:

- ensure the identification of material risks across each of the key risk areas;
- encourage appropriate tolerance of risks across the Company;
- establish procedures to analyse risks within agreed parameters across the Company;
- establish procedures to monitor and manage risk; and

- ensure a risk framework is in place which can react should the risk profile of the business change.

Key components of the Risk Management Framework are:

- identifying and assessing all risks;
- managing, monitoring and wherever possible, mitigating, identified risks;
- reporting periodically and;
- assessing the effectiveness of the risk management framework.

Management meets regularly to discuss material risks and the management of those risks. Management reports to the Board on risk management on a regular basis, including advising of any material changes in the Company's risk profile.

## **7.2 Report on risk management and internal control system**

The Board is responsible for setting the risk philosophy and risk appetite for the Company and approving the overall risk management and internal control system.

Given the size and scale of operations and stage of development of the Company, the Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of separate Risk Management Committee. Presently, the full Board carries out the functions of a Risk Management Committee.

The Board reviews the management of material business risks and the adequacy of the risk management and internal control framework on a regular basis. Management has reported to the Board on the effectiveness of the management of material business risks.

## **7.3 Attestation by Chief executive officer (or equivalent) and chief financial officer (or equivalent)**

The Managing Director and Company Secretary, who undertake the role of CEO and CFO respectively, have given written confirmation to the board that:

- the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control ; and
- the Company's risk management and internal control system is operating effectively in all material respects in relation to financial reporting risks.

## **7.4 Reporting on Principle 7**

A summary of the Company's risk management policy, internal compliance and control system is available on the Company's website. .

# **PRINCIPLE 8: Remunerate fairly and responsibly**

## **8.1 Establishment of a remuneration committee.**

Orocobre is not compliant with this Recommendation. The responsibilities of the Remuneration Committee such as remuneration, recruitment, retention and termination policies and procedures, senior executives' remuneration and incentives, superannuation arrangement and remuneration framework for directors, has been assumed by the full Board. The size and nature of the Company's activities has not justified the establishment a committee at this time.

The Company is committed to remunerating its Executive Directors, Non-executive Directors and future executives in a manner that is market-competitive, consistent with best practice and supporting the interests of shareholders.

Details of the Company's remuneration policy are provided in the accompanying Directors' Report and Financial Statements.

## **8.2 Structure of Non-executive and executive director remuneration**

The Company clearly distinguishes the form of remuneration for Non-executive Directors and executives. Non-executive Director fees are not linked to company performance however, components of executive remuneration is clearly linked to the achievement of company goals.



Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. Non-executive Directors' are remunerated by way of fees, in the form of cash, non-cash benefits, or superannuation contributions. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting and are not linked to the performance of the Company. At present, this maximum aggregate amount is \$200,000. No other form of retirement benefit is paid.

The remuneration policy and setting the terms and conditions for executive directors was developed and approved by non-executive directors. Executive directors receive payments under consultancy agreements with the Company. No other form of retirement benefit is paid.

The Company has prohibited the entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration.

Further details are available in the Remuneration Report of the Directors' Report.

### **8.3 Reporting on Principle 8**

Details of the Company's remuneration policy are outlined in the Remuneration Report section of the Directors' Report, along with the names of the Directors, their qualifications and experience and the term of office held by each Director

**OROCOBRE LIMITED**  
ABN 31 112 589 910

**DIRECTORS' REPORT**

---

Your Directors present their report of the company for the financial ending 30 June, 2008.

**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 7 meetings of the full board of directors. The meetings attended by each Director were:

DIRECTORS	ELIGIBLE TO ATTEND	ATTENDED
N. F. Stuart	7	7
D. C. O'Neill	7	7
P.A. Crawford	7	7
J. Tan	7	7
R. P. Seville	7	7

Directors have been in office since the start of the financial year to the date of this report unless indicated otherwise.

**Company Secretary**

Paul Crawford held the position of Company secretary at the end of the financial period. Mr Crawford is a CPA and holds accounting, company secretarial and business law qualifications. He has been Company secretary and a director of the Company since its incorporation.

**Principal Activities**

The principal activity of the Orocobre group during the course of the year was mineral exploration in Argentina. During the year activity focused on asset assessment and acquisition, formulation of a corporate development strategy and funding. There was no change in the principal activity during the year.

**Review of Operations**

The group's operating loss for the year, after applicable income tax was \$434,550 (2007: \$168,840).

Following a successful and oversubscribed Initial Public Offering ("IPO") which raised \$6.3m before costs, the Company listed on the Australian Securities Exchange on the 4<sup>th</sup> December 2007.

As the Company had been well funded prior to listing, it had been able to both secure key people's services and undertake some preliminary exploration in Argentina prior to listing. It was therefore able to capitalise on this and make good progress on its projects over the next 6 months.

At the Olaroz Lithium- Potash project in Jujuy province in northern Argentina, a successful first sampling programme was undertaken which confirmed the presence of attractive grades of lithium and potash at surface. Grades averaged 650ppm lithium and 0.9% potassium over the entire area of the concessions (exploration licenses) and 730ppm lithium and 1% (10g/l) potassium over a contiguous area of 50 square kilometres. Since year end, results from initial processing test work have confirmed an attractive low magnesium:lithium ratio and that conventional processing methods are applicable. A major drilling programme has recently commenced.

At the Santo-Domingo Project in San Juan Province, low impact field work continued with significant success. A new major target, a collapsed breccia with porphyry overprint, was discovered. Called Alunita because of the extensive alunite alteration, the alteration outcrops over 25 hectares and has

**OROCOBRE LIMITED**  
ABN 31 112 589 910

**DIRECTORS' REPORT**

---

elevated gold and silver. A number of other new targets have been discovered, mapped and surface sampled. This includes Divisoria, El Bonce, Faja NE.

The Company has also entered into a transaction to acquire cateos approximately 20kms south of Marayes where high grade gold mining has occurred in the past and previous sampling had indicated attractive gold grades over significant thicknesses of veins and alteration.

Since listing, the company has turned a single porphyry copper target at El Arriero (Santo Domingo) to a mineralised belt with multiple targets. The company awaits environmental approvals to allow drilling on targets at El Arriero, Alunita, Divisoria and Marayes.

**Financial Position**

The net assets of the Orocobre group increased to \$6,143,951 (2007: \$603,718) during the year to 30 June 2008, including cash balances of \$5,241,828. This increase has resulted largely from the proceeds from share issues, including the initial public offer by the Company in November 2007.

The directors believe that the group is in a strong and stable financial position to expand and grow Group activities.

**Information on Directors**

The company's Directors have significant public company management experience, together with a strong background in mineral exploration and management, project development, financial markets, accounting and finance. Their experience covers many resource sectors in Australia and internationally. The names and qualifications of current directors are summarised as follows:

**Neil F. Stuart**                      **MSc. F Aus.IMM, MMICA, MAIG**  
*Executive Chairman*

Mr Stuart is a founding shareholder and has been a director since incorporation. He has over 40 years experience in the minerals industry and is a Fellow of The Australasian Institute of Mining and Metallurgy and a Member of The Australian Institute of Geoscientists. He has considerable experience in many commodities including gold, base metals, coal and uranium and he has been heavily involved in project delineation and acquisition in Australia, Mexico and Argentina. He has held executive director roles with a number of ASX listed companies in the past.

*Directorships in other listed companies:*

Bowen Energy Limited

**Richard P. Seville**                      **B Sc, MEngSc, MAusIMM, ARSM**  
*Managing Director*

Mr Seville was appointed a director in April 2007. Mr Seville is a mining geologist and geotechnical engineer with 25 years experience covering exploration, mine development and mine operations. He has also had significant corporate experience, having had many years in the role of Operations Director and/or CEO in ASX/ AIM listed mining companies. His roles have also encompassed capital raising and investor relations.

*Directorships in other listed companies:*

Leyshon Resources Ltd; Northern Energy Ltd; Renison Consolidated Mines NL (resigned 7/12/06)

# OROCOBRE LIMITED

ABN 31 112 589 910

## DIRECTORS' REPORT

---

**Paul A. Crawford**      **B.Bus (Acctg), Grad Dip Bus Law, M.FM, CPA, Grad Dip Company Secretarial Practice**

*Director – Non-executive*

Mr Crawford is a founding shareholder and has been a board member since incorporation. Mr Crawford is an accountant with 30 years of commercial experience, including various technical and management roles within the minerals, coal and petroleum industries. He has also had significant corporate experience in the management and governance of ASX listed resource and mining companies. His roles have encompassed capital raising and investor relations. He is Principal of his own corporate consultancy firm, established in 2001.

*Directorships held in other listed companies*

DiamonEx Limited, ActivEX Limited

**Dennis C O'Neill**      **B Sc – Geology**

*Director – Non-executive*

Mr O'Neill is a founding shareholder and has been a board member since incorporation. Mr. O'Neill is a member of The Australasian Institute of Mining and Metallurgy and has held positions with a number of Australian and multinational exploration companies, managing exploration programs in a diverse range of environments and locations, including North America, South-East Asia, North Africa and Australasia. He has significant corporate experience, in a number of operational management and CEO roles in ASX/ AIM listed companies.

*Directorships held in other listed companies*

DiamonEx Limited

**Jack Tan**      **M. App.Fin., FIN, MAICD**

*Director – Non-executive*

Mr Tan was appointed a director in October 2006. . He has had more than 20 years experience in the finance and stockbroking industry, including substantial capital raisings and IPOs. He is a director of his own investment company and a director of Australian Chinese Business Development Association.

*Directorships held in other listed companies*

Rockland Richfield Ltd and Vietnam Emerging Capital Limited

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:-

<b>Directors</b>	<b>Shares</b>	<b>Options</b>
N. F. Stuart	3,424,885	2,000,000
R. P. Seville	2,500,000	2,000,000
P.A. Crawford	2,250,001	1,000,000
D. C. O'Neill	1,500,001	1,000,000
J. Tan	2,000,000	1,000,000

### Remuneration Report

This report details the nature and amount of remuneration for each director and other key executive personnel.

The Company's remuneration policy seeks to align director and executive objectives with those of shareholders and business, while at the same time, recognising the early development stage of the Company and the criticality of funds being utilised to achieve development objectives. The Board believes that the current policy has been appropriate and effective in achieving a balance of objectives.

**OROCOBRE LIMITED**  
ABN 31 112 589 910

**DIRECTORS' REPORT**

The remuneration structure for executives, including the executive Chairman and managing director, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the group.

The Company's policy for determining the nature and amount of remuneration of board members and key executives of the Company is as follows:

The remuneration policy, setting the terms and conditions for the executive directors was developed and approved by non-executive directors. Executive directors receive consultancy payments provided for under their respective consultancy agreements and in the current year, equity based performance remuneration. No form of retirement benefit is paid.

Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. Individuals may elect to salary sacrifice part of their fees as increased payments towards superannuation. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting and is not linked to the performance of the Company. However, to align directors' interests with shareholder interests, directors are encouraged to hold equity interests in the Company. The maximum aggregate amount of fees that can be paid to non-executive directors approved by shareholders is currently \$200,000.

The Company's remuneration policy provides for long-term incentives to be offered through a proposed employee share option plan. Further details on options issued are set out in note 20 in the financial statements.

The Company currently does not have any other performance based incentive component built into director and executive remuneration.

The Board of Directors is responsible for determining and reviewing the Company's remuneration policy, remuneration levels and performance of both executive and non-executive directors. Independent external advice will be sought when required. The remuneration of each director and key officer of the Company during the year was as follows:

2008 Key Management Personnel	Short term benefits		Equity Settled Options	Post Employment Superannuation	Total	Performance Related (i) %
	Fees	Non-Cash Benefits				
Neil F. Stuart	115,578	-	33,446	-	149,024	22.44 %
Richard P. Seville	216,028	-	33,446	-	249,474	13.41 %
Paul A. Crawford	-	-	16,723	12,567	29,290	57.09 %
Dennis C. O'Neill	11,516	-	16,723	1,050	29,289	57.10 %
Jack Tan	11,516	-	16,723	1,050	29,289	57.10 %
	354,638	-	117,061	14,667	486,366	24.07 %

2007 Key Management Personnel	Short term benefits		Equity Settled Options	Post Employment Superannuation	Total	Performance Related (i) %
	Fees	Non-Cash Benefits				
Neil F. Stuart	15,000	-	-	-	15,000	-
Richard P. Seville	56,000	-	-	-	56,000	-
Paul A. Crawford	-	-	-	-	-	-
Dennis C. O'Neill	-	-	-	-	-	-
Jack Tan	-	-	-	-	-	-
	71,000	-	-	-	71,000	-

(i) Represents the percentage of total remuneration represented by options.

# OROCOBRE LIMITED

ABN 31 112 589 910

## DIRECTORS' REPORT

### Options granted as remuneration

Key Management Personnel	Vested Number	Granted Number	Grant Date	Value per Option at Grant Date	Terms & Conditions of Grant		
					Exercise price	First Exercise Date	Last Exercise Date
N F Stuart	2,000,000	2,000,000	30.08.2007	6.54 cents	25 cents	31.12.2009	31.12.2010
R P Seville	2,000,000	2,000,000	30.08.2007	6.54 cents	25 cents	31.12.2009	31.12.2010
PA Crawford	1,000,000	1,000,000	30.08.2007	6.54 cents	25 cents	31.12.2009	31.12.2010
D C O'Neill	1,000,000	1,000,000	30.08.2007	6.54 cents	25 cents	31.12.2009	31.12.2010
J Tan	1,000,000	1,000,000	30.08.2007	6.54 cents	25 cents	31.12.2009	31.12.2010

All options vested immediately and expire within 3.33 years of granting. All options were granted for nil consideration.

Amounts shown as equity settled options reflect the current year's amortised expense of options granted. The grant of the options to the Directors is intended to act as a strong incentive to align the interests of the Directors' with the Company's strategic plan focusing on seeking improved performance, the growth of the Company and better returns for shareholders.

No options have been exercised during the current year. No options lapsed or were forfeited during the year.

### Consultancy Agreements of Executive Directors:

The Company's executive directors have entered into Consultancy Agreements for an initial period of 12 months from the Company's listing on the Australian Securities Exchange.

The Agreements provide for the executive directors to work for the Company for a minimum of 10 days per month. They will be remunerated at a minimum of \$133,332 per annum. Days worked in addition to 10 days per month will be paid on a prorata basis.

The Agreements also provide for the protection of the Company's confidential information and intellectual property rights and restrains them from carrying on whether directly or indirectly any business in competition with the Company during the consultancy period and for 6 months after the end of the consultancy period.

After expiry of the consultancy period, the Company or consultant may terminate the agreement by giving 3 months notice.

### Company performance, shareholder wealth and director and executive remuneration

As outlined above, the Company's remuneration policy seeks to align directors' and executives' objectives with shareholders and business, whilst recognising the developmental stage of the Company. The following table shows some key performance data of the group for the last 4 years, together with the share price at the end of the respective financial years.

	2005	2006	2007	2008
Exploration expenditure (\$)	Nil	Nil	192,621	689,248
Net assets (\$)	(4,188)	30,093	603,718	6,143,951
Share Price at Year-end (\$)	N/A	N/A	N/A	0.08
Dividends Paid (\$)	NIL	NIL	NIL	NIL

### Dividends

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



# OROCOBRE LIMITED

ABN 31 112 589 910

## DIRECTORS' REPORT

### Significant Changes in State of Affairs

The following significant changes in the state of affairs of the company have occurred during the financial year:

- The company issued 25,000,000 shares for cash to raise \$6,250,000 on 26 November 2007;
- The company successfully applied to the Australian Securities Exchange for admission to the Official List of the Exchange and commenced trading on 4 December 2007; and
- The Company issued 8,000,000 options.

There have been no further significant changes in the state of affairs of the company during the year.

### Options

At the date of this report, the unissued ordinary shares of the Company under options are as follows:-

Grant Date	Expiry Date	Exercise Price	No. Under Option
30 August 2007	31 December 2010	\$0.25	7,000,000
26 November 2007	31 December 2010	\$0.25	1,000,000
1 August 2008	31 July 2011	\$0.375	1,025,000

No person entitled to exercise these options had or has any right by virtue of the options to participate in any share issue of any other body corporate. No options were exercised during the year, or to the date of this report.

### Subsequent Events, Future Developments, Prospects and Business Strategies

Since the end of the financial year, the company has issued 67,000 fully paid ordinary shares, representing a total issue value of \$22,400. These shares were issued in payment of services provided or to be provided to the company and as part settlement of an option payment on the Olaroz Project.

Since the end of the financial year, the board has granted an aggregate total of 1,025,000 options to staff and principle consultants utilised by the company in Argentina as part of an incentive and retention regime. The options are exercisable at 37.5 cents, during the period 1 August 2009 to 31 July 2011.

The Directors will continue to carry out an active exploration program on its Argentine tenements as detailed in the Company's various public announcements. Directors will also continue to review external opportunities which may arise with a view to acquisition, farm-in or corporate investment.

No other matters or circumstances have arisen since the end of the year which significantly affected or may significantly affect the operations of the Orocobre group, the results of those operations, or the state of affairs of the group in future financial years.

### Environmental Issues

The group is not subject to any significant environmental regulation under the law of the Commonwealth or a State or Territory of Australia. The group is subject to environmental regulation in relation to its exploration activities in Argentina.

The Directors monitor the Group's compliance with environmental obligations. The Directors are not aware of any compliance breach arising during the year and up to the date of this report.

### Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Orocobre Limited support and where practicable or appropriate have adhered to the ASX Principles of Corporate Governance. The Company's corporate governance statement is contained within this annual report.

## DIRECTORS' REPORT

---

### Indemnifying Directors' and Auditors'

During the financial year the Company has entered into a Deed with each of the Directors whereby the Company has agreed to provide certain indemnities to each Director to the extent permitted by the Corporations Act and to use its best endeavours to obtain and maintain directors and officers indemnity insurance, subject to such insurance being available at reasonable commercial terms.

The economic entity has paid premiums to insure each of the directors of the company against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was \$24,583.

The Company has not given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums in respect of any person who is or has been an auditor of the Company or a related body corporate during the year and up to the date of this report.

### Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

### Non-audit Services

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the board of directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

During the year the Company paid \$6,850 for due diligence services relating to the initial public offering of the Company.

### Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2008 has been received and is attached to the Directors' report.

Signed in accordance with a resolution of the Board of Directors.



N F Stuart  
Executive Chairman



P A Crawford  
Director

Signed: 22 September 2008  
Brisbane, Queensland

**Lead Auditor's Independence Declaration**  
**Under Section 307C of the *Corporations Act 2001***

**To the Directors of Orocobre Limited**

As lead auditor for the audit of Orocobre Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions to the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) 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 period.

*Hayes Knight Audit (Qld) Pty Ltd*

**Hayes Knight Audit (Qld) Pty Ltd**

*Nigel Bamford*

**N D Bamford**  
Director

Date: 22 September 2008

## DIRECTORS' DECLARATION

---

The directors of the company declare that:

1. The attached financial statements and notes are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2008 and of the performance of the company and the economic entity for the year ended on that date.
2. The Chief Executive Officer and Chief Finance Officer have each declared that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
3. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



N F Stuart  
Executive Chairman



P A Crawford  
Director

Dated this: 22nd day of September 2008

**OROCOBRE LIMITED**

ABN 31 112 589 910

**INCOME STATEMENT**  
for the year ended 30 June 2008

	Note	Economic Entity		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Revenue	2	219,054	19,499	219,054	19,499
Less expenses:	3				
Corporate & administrative expenses		(367,146)	(136,515)	(303,933)	(98,114)
Employee benefit expenses		(254,115)	-	(254,115)	-
Occupancy Costs		(18,062)	-	(15,000)	-
Current year exploration & evaluation expenditure written-off		(14,281)	(51,824)	(12,969)	(51,824)
<b>Loss before income tax expense</b>		(434,550)	(168,840)	(366,963)	(130,439)
Income tax expense	4	-	-	-	-
<b>Loss for the year</b>		(434,550)	(168,840)	(366,963)	(130,439)
<b>Loss attributable to members of the company</b>		(434,550)	(168,840)	(366,963)	(130,439)
Basic earnings per share (cents per share)	19	(1.04)	(0.86)		
Diluted earnings per share (cents per share)	19	(1.04)	(0.86)		
Dividends per share (cents per share)		-	-		

The accompanying notes form part of these financial statements.

**OROCOBRE LIMITED**

ABN 31 112 589 910

**BALANCE SHEET**

As at 30 June 2008

	Note	Economic Entity		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	7	5,241,828	498,491	5,180,420	457,926
Trade and other receivables	8	110,975	17,951	77,051	161,063
Other	9	6,977	15,564	6,977	15,564
<b>Total Current Assets</b>		<b>5,359,780</b>	<b>532,006</b>	<b>5,264,448</b>	<b>634,553</b>
<b>NON-CURRENT ASSETS</b>					
Other receivables	8	-	-	603,478	-
Financial assets	10	-	-	20,762	20,762
Property, plant and equipment	11	38,105	-	-	-
Exploration and evaluation asset	12	853,077	184,639	467,256	96,590
<b>Total Non-Current Assets</b>		<b>891,182</b>	<b>184,639</b>	<b>1,091,496</b>	<b>117,352</b>
<b>TOTAL ASSETS</b>		<b>6,250,962</b>	<b>716,645</b>	<b>6,355,944</b>	<b>751,905</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	13	107,011	112,927	80,219	110,099
<b>Total Current Liabilities</b>		<b>107,011</b>	<b>112,927</b>	<b>80,219</b>	<b>110,099</b>
<b>TOTAL LIABILITIES</b>		<b>107,011</b>	<b>112,927</b>	<b>80,219</b>	<b>110,099</b>
<b>NET ASSETS</b>		<b>6,143,951</b>	<b>603,718</b>	<b>6,275,725</b>	<b>641,806</b>
<b>EQUITY</b>					
Issued Capital	14	6,695,577	877,155	6,695,577	877,155
Reserves	15	156,674	313	182,460	-
Accumulated losses		(708,300)	(273,750)	(602,312)	(235,349)
<b>TOTAL EQUITY</b>		<b>6,143,951</b>	<b>603,718</b>	<b>6,275,725</b>	<b>641,806</b>



# OROCOBRE LIMITED

ABN 31 112 589 910

## STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2008

	Note	Share Capital	Accumulated Losses	Option Reserve	Foreign Currency Translation Reserve	Total
		\$	\$	\$	\$	\$
<b>Economic Entity</b>						
<b>Balance at 1 July 2006</b>		135,003	(104,910)	-	-	30,093
Shares issued during the period	14	742,152	-	-	-	742,152
Loss attributable to members of the company		-	(168,840)	-	-	(168,840)
Translation of foreign controlled entities	15	-	-	-	313	313
<b>Balance at 30 June 2007</b>		877,155	(273,750)	-	313	603,718
Shares issued during the period	14	6,325,000	-	-	-	6,325,000
Transaction costs		(506,578)	-	-	-	(506,578)
Options issued during the period	14	-	-	182,460	-	182,460
Loss attributable to members of the company		-	(434,550)	-	-	(434,550)
Translation of foreign controlled entities	15	-	-	-	(26,099)	(26,099)
<b>Balance at 30 June 2008</b>		6,695,577	(708,300)	182,460	(25,786)	6,143,951
<b>Parent Entity</b>						
<b>Balance at 1 July 2006</b>		135,003	(104,910)	-	-	30,093
Shares issued during the period	14	742,152	-	-	-	742,152
Loss attributable to members of the company		-	(130,439)	-	-	(130,439)
Translation of foreign controlled entities	15	-	-	-	-	-
<b>Balance at 30 June 2007</b>		877,155	(235,349)	-	-	641,806
Shares issued during the period	14	6,325,000	-	-	-	6,325,000
Transaction costs		(506,578)	-	-	-	(506,578)
Options issued during the period	14	-	-	182,460	-	182,460
Loss attributable to members of the company		-	(366,963)	-	-	(366,963)
Translation of foreign controlled entities	15	-	-	-	-	-
<b>Balance at 30 June 2008</b>		6,695,577	(602,312)	182,460	-	6,275,725

The accompanying notes form part of these financial statements.

**OROCOBRE LIMITED**

ABN 31 112 589 910

**CASH FLOW STATEMENT**

for the year ended 30 June 2008

	Note	Economic Entity		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Payments to suppliers and employees		(629,461)	(166,072)	(552,163)	(139,659)
Interest received		219,054	19,499	219,054	19,499
<b>Net cash provided by (used in) operating activities</b>	16	<b>(410,407)</b>	<b>(146,573)</b>	<b>(333,109)</b>	<b>(120,160)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Capitalised exploration expenditure	12	(689,248)	(192,621)	(370,666)	(96,590)
Purchase of property, plant and equipment	11	(38,503)	-	-	-
Investment in controlled entity	10	-	-	-	(20,762)
Advance to controlled entity		-	-	(457,553)	(145,925)
<b>Net cash provided by (used in) investing activities</b>		<b>(727,751)</b>	<b>(192,621)</b>	<b>(828,219)</b>	<b>(263,277)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of shares	14	6,325,000	465,952	6,325,000	465,952
Costs associated with share issue	14	(441,178)	-	(441,178)	-
<b>Net cash provided by (used in) financing activities</b>		<b>5,883,822</b>	<b>465,952</b>	<b>5,883,822</b>	<b>465,952</b>
<b>Net increase in cash held</b>		<b>4,745,664</b>	<b>126,758</b>	<b>4,722,494</b>	<b>82,515</b>
<b>Cash at beginning of year</b>		<b>498,491</b>	<b>375,411</b>	<b>457,926</b>	<b>375,411</b>
Effect of exchange rates on cash holdings in foreign currencies		(2,327)	(3,678)	-	-
<b>Cash at end of year</b>	7	<b>5,241,828</b>	<b>498,491</b>	<b>5,180,420</b>	<b>457,926</b>

The accompanying notes form part of these financial statements.

# OROCOBRE LIMITED

ABN 31 112 589 910

## Notes to the Financial Statements for the year ended 30 June 2008

---

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards, including Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers the economic entity of Orocobre Limited and controlled entities, and Orocobre Limited as an individual parent entity. Orocobre Limited is an unlisted public company, incorporated and domiciled in Australia. The financial report has been prepared on an accruals basis and is based on historical cost modified by the revaluation of selected non-current assets, financial assets and liabilities for which the fair value basis of accounting has been applied.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

#### Principles of Consolidation

A controlled entity is any entity Orocobre Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities. In assessing the powers to govern, the existence of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 10 to the financial statements. All controlled entities have a June financial year-end.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the group, are shown separately within the Equity section of the consolidated Balance Sheet and in the consolidated Income Statement.

#### Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

# OROCOBRE LIMITED

ABN 31 112 589 910

## Notes to the Financial Statements for the year ended 30 June 2008

---

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

#### **Property, Plant and Equipment**

Each class of property, plant and equipment is brought to account at cost or fair value less, where applicable, any accumulated depreciation or amortisation, and impairment losses.

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for plant and equipment are in the range between 20% and 40%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

#### **Exploration and Evaluation Expenditure**

Exploration and evaluation expenditure incurred is recognised as exploration and evaluation assets, measured on the cost basis and classified as an intangible asset. The expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that rights of tenure are current and either they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and where the rights to tenure of the area of interest are current.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation or alternatively sale of the respective areas of interest.

# OROCOBRE LIMITED

ABN 31 112 589 910

## Notes to the Financial Statements for the year ended 30 June 2008

---

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Restoration Costs**

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the exploration and mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

The economic entity currently has no obligation for any restoration costs in relation to discontinued operations, nor is it currently liable for any future restoration costs in relation to current areas of interest. Consequently, no provision for restoration has been deemed necessary.

#### **Financial Instruments**

##### *Recognition and Initial Measurement*

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

##### *Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

##### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

##### *Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

##### *Impairment*

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

# OROCOBRE LIMITED

ABN 31 112 589 910

## Notes to the Financial Statements for the year ended 30 June 2008

---

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Impairment of Assets**

At each reporting date, the economic entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of less than 3 months.

#### **Issued Capital**

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

#### **Equity Settled Payments**

The group operates equity-settled share-based payments to directors and other parties for services provided. The fair value of the equity is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a binomial lattice pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

#### **Revenue and Other Income**

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. All revenue is stated net of the amount of goods and services tax (GST).

#### **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Balance Sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis except for the GST component of investing and financing activities which are disclosed as operating cash flow.

#### **Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

#### **Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.



# OROCOBRE LIMITED

ABN 31 112 589 910

## Notes to the Financial Statements for the year ended 30 June 2008

---

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Earnings per Share (EPS)

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### Foreign Currency Transactions and Balances

Functional and presentation currency:

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The economic entity's financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies:

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

#### Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the economic entity.

The economic entity makes estimates and judgments in applying the accounting policies. Critical judgements in respect of accounting policies relate to exploration and evaluation assets, whereby exploration and evaluation expenditure is capitalised in certain circumstances, but otherwise is expensed.

#### 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.

# OROCOBRE LIMITED

ABN 31 112 589 910

## Notes to the Financial Statements for the year ended 30 June 2008

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$

### NOTE 2: REVENUE AND OTHER INCOME

#### Operating activities:

Interest received from other persons	219,054	19,499	219,054	19,499
--------------------------------------	---------	--------	---------	--------

### NOTE 3: PROFIT/(LOSS) FOR THE YEAR

Included in expenses are the following items:

Finance costs - external	-	4,290	-	48
Foreign currency translation losses	-	13,854	-	-
Write-off of exploration expenditure	14,281	51,824	12,969	51,824

### NOTE 4: INCOME TAX EXPENSE

The prima facie tax on the operating loss is reconciled to income tax expense as follows:

Prima facie tax payable/(benefit) on loss from ordinary activities before income tax at 30% (2007: 30%).	(130,365)	(50,652)	(110,089)	(39,132)
--	-----------	----------	-----------	----------

#### Adjust for tax effect of:

Non-deductible amounts	36,219	11,534	36,219	14
Tax losses and temporary differences not brought to account	94,146	39,118	73,870	39,118
Income tax expense/(benefit) attributable to entity	-	-	-	-
Weighted average effective tax rate	0.00%	0.00%	0.00%	0.00%

The economic entity has unconfirmed carry forward losses of approximately \$1,420,000 (2007: \$230,000).

Deferred tax assets and liabilities not brought to account, the net benefit of which will only be realised if the conditions for deductibility set out in Note 1 occur.

Temporary differences (comprising exploration expenditure, provisions and other items)	(127,066)	1,653	(31,492)	1,653
Tax losses	426,963	68,908	311,112	68,908
Net unbooked deferred tax asset	299,897	70,561	279,620	70,561

### NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION & EQUITY

(a) The names of consolidated and parent entity key management personnel at any time during the financial year are:

Neil F. Stuart	Director - Executive Chairman
Richard Seville	Director - Executive
Paul A. Crawford	Director - Non-Executive
Dennis C. O'Neill	Director - Non-Executive
Jack Tan	Director - Non-Executive

Other than the directors the economic entity has no key management personnel.

#### (b) Key Management Personnel Compensation

Short-term employee benefits	354,639	71,000	356,739	71,000
Post-employment benefits	14,667	-	12,567	-
Other long-term benefits	-	-	-	-
Share-based payments	117,060	-	117,060	-
	486,366	71,000	486,366	71,000

# OROCOBRE LIMITED

ABN 31 112 589 910

## Notes to the Financial Statements for the year ended 30 June 2008

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$

### NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION & EQUITY (continued)

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

(c) Number of shares held by key management personnel (i)	No.	No.	No.	No.
	Opening Balance	Compensation	Purchased / (Sold)	Balance 30 June 2008
Neil F. Stuart	2,974,885	-	450,000	3,424,885
Richard P. Seville	1,500,000	-	1,000,000	2,500,000
Paul A. Crawford	2,246,668	-	3,333	2,250,001
Dennis C. O'Neill	1,500,001	-	-	1,500,001
Jack Tan	2,000,000	-	-	2,000,000
Total	10,221,554	-	1,453,333	11,674,887

(i) Represents shares held directly or indirectly.

### (d) Number of options held by Key Management Personnel (i)

	Opening Balance	Compensation	Purchased / (Sold)	Balance 30 June 2008
Neil F. Stuart	-	2,000,000	-	2,000,000
Richard P. Seville	-	2,000,000	-	2,000,000
Paul A. Crawford	-	1,000,000	-	1,000,000
Dennis C. O'Neill	-	1,000,000	-	1,000,000
Jack Tan	-	1,000,000	-	1,000,000
Total	-	7,000,000	-	7,000,000

(i) Represents options held directly or indirectly.

All options have vested and are all exercisable.

### (e) Compensation Options

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

### (f) Shares Issued on Exercise of Compensation Options

No shares were issued on the exercise of compensation options during the reporting period.

### NOTE 6: AUDITORS' REMUNERATION

Remuneration of the auditor of the entity for:

- auditing or reviewing the financial report	20,025	3,500	20,025	3,500
- other services (due diligence)	6,850	-	6,850	-
	26,875	3,500	26,875	3,500

### NOTE 7: CASH AND CASH EQUIVALENTS

Cash at bank and on hand	241,828	498,491	180,420	457,926
Short term deposits	5,000,000	-	5,000,000	-
	5,241,828	498,491	5,180,420	457,926

The effective interest rate on short term deposits was 7.7% (2007: 4.9%). Deposits have an average maturity of 78 days.

# OROCOBRE LIMITED

ABN 31 112 589 910

## Notes to the Financial Statements for the year ended 30 June 2008

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>NOTE 8: TRADE AND OTHER RECEIVABLES</b>				
<b>Current:</b>				
Other receivables	110,975	17,951	77,051	15,138
Receivable from wholly owned controlled entity	-	-	-	145,925
	<u>110,975</u>	<u>17,951</u>	<u>77,051</u>	<u>161,063</u>
<b>Non-current:</b>				
Receivable from wholly owned controlled entity	-	-	603,478	-
Advances to controlled entity are unsecured, interest free and repayable on demand. The receivable is classified as non-current as the parent entity is unlikely to demand repayment in the next 12 months. This receivable is shown at cost as, in substance, it forms part of the parent entity's investment in the controlled entity, as the money has been provided to the subsidiary as an additional source of long term capital.				
There are no balances within other receivables that are impaired and past due. It is expected these balances will be received when due. Impaired assets are provided for in full.				
<b>NOTE 9: OTHER ASSETS</b>				
<b>Current:</b>				
Prepayments	6,977	15,564	6,977	15,564
<b>NOTE 10: FINANCIAL ASSETS</b>				
<b>Non-current - Available for sale financial assets</b>				
Shares in Unlisted Controlled Entity (i)	-	-	20,762	20,762
(i) Orocobre SA, incorporated in Argentina. The parent entity holds 100% (2007: 100%) of the ordinary shares of the entity, carried at cost. The company was incorporated on 22 November 2006.				
<b>NOTE 11: PLANT AND EQUIPMENT</b>				
<b>Plant and equipment</b>				
At cost	38,105	-	-	-
Accumulated depreciation	-	-	-	-
Total plant and equipment	<u>38,105</u>	<u>-</u>	<u>-</u>	<u>-</u>
Reconciliation of the carrying amounts for property, plant and equipment is set out below:				
Balance at the beginning of year	-	-	-	-
Additions	38,503	-	-	-
Disposals	-	-	-	-
Depreciation expense	-	-	-	-
Foreign currency translation movement	(398)	-	-	-
Carrying amount at the end of year	<u>38,105</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NOTE 12: EXPLORATION AND EVALUATION ASSET</b>				
Exploration and evaluation expenditure carried forward in respect of areas of interest are:				
Exploration and evaluation phase - at cost	853,077	184,639	467,256	96,590

# OROCOBRE LIMITED

ABN 31 112 589 910

## Notes to the Financial Statements for the year ended 30 June 2008

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$

### NOTE 12: EXPLORATION AND EVALUATION ASSET (continued)

#### Movement in exploration and evaluation asset:

Opening balance - at cost	184,639	-	96,590	-
Capitalised exploration expenditure	689,248	192,621	370,666	96,590
Foreign currency translation movement	(20,810)	(7,982)	-	-
Carrying amount at the end of year	853,077	184,639	467,256	96,590

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 13: TRADE AND OTHER PAYABLES

#### Current:

Sundry payables and accrued expenses	73,404	14,327	46,612	11,499
Payable to director related entities	33,607	98,600	33,607	98,600
Total trade & other payables (unsecured)	107,011	112,927	80,219	110,099

### NOTE 14: ISSUED CAPITAL

52,119,187 (2007: 25,869,187) Fully paid ordinary shares	6,695,577	877,155	6,695,577	877,155
--	-----------	---------	-----------	---------

#### Ordinary shares

	No.	No.	No.	No.
Balance at the beginning of the reporting period	25,869,187	13,500,003	25,869,187	13,500,003
Shares issued during the year for cash:				
Previous financial year	-	12,369,184	-	12,369,184
9 August 2007	1,250,000	-	1,250,000	-
26 November 2007	25,000,000	-	25,000,000	-
Balance at reporting date	52,119,187	25,869,187	52,119,187	25,869,187

On 26 November 2007 the company issued 25,000,000 shares at \$0.25 pursuant to an initial public offering. The company successfully applied to the Australian Securities Exchange for admission to the Official List of the Exchange and commenced trading on 4 December 2007.

On 9 August 2007 the company issued 1,250,000 shares at \$0.06 finalising the small scale capital raising initiated in the prior year. In the previous year, the company made various issues totalling 12,369,184 shares issued at \$0.06, pursuant to a small scale capital raising.

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

# OROCOBRE LIMITED

ABN 31 112 589 910

## Notes to the Financial Statements for the year ended 30 June 2008

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$

### NOTE 14: ISSUED CAPITAL (continued)

Options	No. of Options	No. of Options	No. of Options	No. of Options
<b>Unlisted Share Options</b>	8,000,000	-	8,000,000	-
Balance at the beginning of the reporting period	-	-	-	-
Options issued during the period:				
Award of options to Directors as approved by shareholders at the 2007 Annual General Meeting	7,000,000	-	7,000,000	-
Grant of options to Martin Place Securities Limited, pursuant to an agreement relating to services provided in relation to the initial public offering.	1,000,000	-	1,000,000	-
Balance at reporting date	8,000,000	-	8,000,000	-

Other details of the options granted are:

Number of options granted

Date of grant and vesting of options

Option expiry date

Date options subject to ASX imposed restriction

Director Options (i)	IPO Services Options (ii)
7,000,000	1,000,000
30/08/07	26/11/07
31/12/10	31/12/10
03/12/09	03/12/09

The fair value of share options, using a binomial option valuation model and assumptions for the year ended 30 June 2008:

Fair value at grant date

Share price

Exercise price

Expected volatility (based on comparative organisations)

Option life

Expected dividends

Risk-free interest rate

6.54 cents	6.54 cents
6 cents	6 cents
25 cents	25 cents
55.00%	55.00%
3.33 years	3.08 years
nil	nil
6.25%	6.25%

The amount of the expense during the period in relation to these options is \$182,460 (2007: nil). This amount has been credited to the Option Reserve.

(i) See note 20 for other details on these compensation options.

(ii) Options are exercisable at any time until 5pm on 31 December 2010 at an exercise price of \$0.25 each. All options are subject to restriction agreements, under which the options and potential shares cannot be sold or dealt with until 4 December 2009. See note 20 for other details on these compensation options.

### Capital Management

Exploration companies such as Orocobre are funded exclusively by share capital. There is no debt. The group's capital comprises its share capital supported by financial assets.

Management controls the capital of the group to ensure that it can fund its operations and continue as a going concern. Capital management policy is to fund its exploration activities by way of equity. No dividend will be paid while the group is in exploration stage. There are no externally imposed capital requirements. There have been no changes to the capital management policy since the prior year.



**OROCOBRE LIMITED**

ABN 31 112 589 910

**Notes to the Financial Statements  
for the year ended 30 June 2008**

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

**NOTE 15: RESERVES**

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

Options reserve

The options reserve records amounts recognised as expenses on valuation of share options granted to directors and others for services provided.

**NOTE 16: CASH FLOW INFORMATION****Reconciliation of Cash Flow from Operations with Loss after Income Tax:**

Loss from ordinary activities after income tax	(434,550)	(168,840)	(366,963)	(130,439)
Non-cash flows in loss from ordinary activities:				
Options expense	117,060	-	117,060	
Changes in operating assets and liabilities:				
(Increase)/Decrease in receivables	(96,832)	(8,471)	(61,913)	(3,521)
(Decrease)/Increase in payables	(4,676)	32,448	(29,880)	29,364
(Increase)/Decrease in prepayments	8,591	(1,710)	8,587	(15,564)
Cash flows from operations	<u>(410,407)</u>	<u>(146,573)</u>	<u>(333,109)</u>	<u>(120,160)</u>

**Non-cash Financing and Investing Activities**

No non-cash financing or investing activities were undertaken during the year.

**NOTE 17 RELATED PARTY TRANSACTIONS**

Transactions between related parties are on normal commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

**Transactions with Key Management Personnel**

Key Management Personnel compensation and equity interests are detailed in Note 5.

During the year, the parent entity engaged Cambridge Business & Corporate Services, an entity controlled by Mr Crawford, a director of the parent entity, to provide accounting, company secretarial, and other services to the parent entity. Professional fees for the provision of these services for the year totalled \$46,000 (2007: \$ 15,000). At balance date an amount of \$16,600 (2007: \$30,000) was owing.

During the year, the parent entity engaged Australian Geoscientists Pty Ltd, an entity controlled by Mr Stuart, a director of the parent entity, to provide geological consulting services to the parent entity. At balance date no amount was owing (2007: \$30,000). These services are shown as remuneration in note 5.

During the year, the parent entity engaged Richard Seville & Associates Pty Ltd, an entity controlled by Mr Seville, a director of the parent entity, to provide technical services to the parent entity. At balance date an amount of \$17,007 (2007: \$6,000) was owing. These services are shown as remuneration in note 5.

During the previous year, the parent entity engaged EM Enterprises Pty Ltd, an entity controlled by Mr O'Neill, a director of the parent entity, to provide technical and other services to the parent entity. Professional fees for the provision of these services for the year totalled \$3,000. No amounts were paid in the current year and at balance date no amount was owing (2007: \$8,000).

**OROCOBRE LIMITED**

ABN 31 112 589 910

**Notes to the Financial Statements  
for the year ended 30 June 2008**

Economic Entity		Parent Entity	
2008	2007	2008	2007
\$	\$	\$	\$

**NOTE 17 RELATED PARTY TRANSACTIONS (continued)****Other related parties**

The company was party to a tenancy agreement with DiamonEx Limited, a company of which Mr Crawford & Mr O'Neill, directors of the company, are also directors. The amount owing by the company at 30 June is \$15,000 (2007: nil). No amounts were paid during the year (2007: nil).

The parent entity's shareholding in the controlled entities is detailed in note 10. Finance provided to the controlled entities is detailed in note 8.

**NOTE 18: COMMITMENTS****Exploration Commitments**

The economic entity must meet minimum expenditure commitments in relation to option agreements over exploration tenements and to maintain those tenements in good standing.

The following commitments exist at balance date but have not been brought to account. If the relevant mineral tenement is relinquished the expenditure commitment also ceases.

Not later than 1 year	416,450	184,524	416,450	184,524
Later than 1 year but not later than 5 years	1,327,434	1,327,381	1,327,434	1,327,381
Total commitment	1,743,884	1,511,905	1,743,884	1,511,905

**NOTE 19: EARNINGS PER SHARE**

Net loss used in the calculation of basic and dilutive EPS	434,550	168,840
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	41,804,979	19,669,689
Weighted average number of options outstanding	-	-
Weighted average number of ordinary shares outstanding during the period used in the calculation of dilutive EPS	41,804,979	19,669,689

Options to acquire ordinary shares in the parent entity are the only securities considered as potential ordinary shares in determination of diluted EPS. Options issued in the current year are not presently dilutive and have been excluded from the calculation of diluted EPS.

**NOTE 20: SHARE BASED PAYMENTS**

During the year 7,000,000 (2007: nil) share options were granted Directors, as approved by shareholders at the 2007 Annual General Meeting and 1,000,000 (2007: nil) share options were granted to Martin Place Securities Limited, pursuant to an agreement relating to services provided in relation to the initial public offering. The options hold no voting or dividend rights.

All options granted are over ordinary shares, which confer a right of one ordinary share per option.

The options outstanding at 30 June 2008 had a weighted average exercise price of \$0.25 and a weighted average remaining contractual life of 2.5 years. Refer note 14 regarding assessment of fair value of options granted.

Included under employee benefits expense in the income statement is \$117,060 (2007: nil) and relates to equity-settled share-based payment transactions of directors.

# OROCOBRE LIMITED

ABN 31 112 589 910

## Notes to the Financial Statements for the year ended 30 June 2008

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$

### NOTE 20: SHARE BASED PAYMENTS (continued)

	2008		2007	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	No	\$	No	\$
Outstanding at the beginning of the year	-	-	-	-
Granted	8,000,000	0.25	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year-end	8,000,000	0.25	-	-
Exercisable at year-end	8,000,000	0.25	-	-

On 30 August 2007, 7,000,000 share options were granted to directors to accept ordinary shares at an exercise price of \$0.25. The options are exercisable before 31 December 2010 but subject to restriction by the Australian Securities Exchange in that the options or shares on conversion cannot be sold before 3 December 2009. The options hold no voting or dividend rights and are not transferable. At the date of this report, no share options have lapsed or been exercised.

On 26 November 2007, 1,000,000 share options were granted to Martin Place Securities Limited, to accept ordinary shares at an exercise price of \$0.25. The options are exercisable before 31 December 2010 but subject to restriction by the Australian Securities Exchange in that the options or shares on conversion cannot be sold before 3 December 2009. The options hold no voting or dividend rights and are not transferable. At the date of this report, no share options have lapsed or been exercised.

### NOTE 21: FINANCIAL INSTRUMENTS

#### (a) Financial Risk Management

The group's financial instruments comprise deposits with banks, accounts receivable and payable.

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

#### Treasury Risk Management

A finance committee consisting of 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 economic entity is exposed to through its financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. These risks are managed through monitoring of forecast cashflows, interest rates, economic conditions and ensuring adequate funds are available.

#### 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 changes in market interest rates arises in relation to the group's cash on deposit.

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

# OROCOBRE LIMITED

ABN 31 112 589 910

## Notes to the Financial Statements for the year ended 30 June 2008

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$

### NOTE 21: FINANCIAL INSTRUMENTS (continued)

#### 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 to meet liabilities when due, without incurring unacceptable losses or risking damage to the group's reputation.

The group's activities are funded from equity sources.

#### Foreign Currency Risk

The group is exposed to fluctuations in foreign currencies arising from the purchase of goods and services in currencies other than the group's measurement currency and the provision of funding to an offshore controlled entity.

#### Credit Risk

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 balance sheet and notes to the financial statements.

Credit risk arises from exposures to deposits with financial institutions and sundry receivables.

#### (b) Financial Instruments

(i) Credit risk is managed and reviewed regularly by the finance committee. It arises from exposures to certain financial instruments and deposits with financial institutions. The finance committee monitors 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 carrying amounts of financial assets recorded in the financial statements represent the company's and the group's maximum exposure to credit risk.

In respect of the company, credit risk also incorporates the exposure to the amount receivable from its wholly owned subsidiary.

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.

#### (ii) Financial instrument composition and maturity analysis:

##### Financial assets:

##### Within 6 months

- cash & cash equivalents (a)	5,241,828	498,491	5,180,420	457,926
- receivables (b)	110,975	17,951	77,051	161,063
	<u>5,352,803</u>	<u>516,442</u>	<u>5,257,471</u>	<u>618,989</u>

##### Over 5 years

- receivables (b)	-	-	603,478	-
-------------------	---	---	---------	---

##### Total

	<u>5,352,803</u>	<u>516,442</u>	<u>5,860,949</u>	<u>618,989</u>
--	------------------	----------------	------------------	----------------

##### Financial liabilities:

##### Within 6 months

- payables	107,011	112,927	80,219	110,099
------------	---------	---------	--------	---------

(a) Floating interest rates, with weighted average effective interest rate 7.2% (2007: 6.3%).

(b) Non-interest bearing.

**OROCOBRE LIMITED**

ABN 31 112 589 910

**Notes to the Financial Statements  
for the financial year ended 30 June 2008****NOTE 21: FINANCIAL INSTRUMENTS (continued)****(c) Net Fair Values**

No financial assets or liabilities are readily traded on organised markets in a standardised form.

Financial assets where the carrying amount exceeds net fair values have not been written down, as the group intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and liabilities are disclosed in the balance sheet and notes to the financial statements. Fair values are materially in line with carrying values.

**(d) Sensitivity Analysis**

The group has performed sensitivity analysis relating to its exposure to interest rate risk. At year end, the effect on profit and equity as a result of a 1% change in the interest rate, with all other variables remaining constant would be +/- \$52,418 (2007: \$4,985).

In respect of the company, the effect on profit and equity as a result of a 1% change in the interest rate, with all other variables remaining constant would be +/- \$52,804 (2007: \$4,579).

The group has performed sensitivity analysis relating to its exposure to foreign exchange risk. At year end, the effect on profit and equity as a result of a 10% change in the Argentine Peso, with all other variables remaining constant would be +/- \$8,930 (2007: \$6,131).

This exposure arises from Argentine Peso bank accounts and receivables, offset by payables. Net exposure is ARS259,297 (2007: ARS161,044).

The company has no exposure to foreign exchange risk.

**NOTE 22: SEGMENT REPORTING**

The group operates internationally, in the mineral exploration industry. The exploration focus is on Argentina.

**Primary Reporting: Geographical Segments**

	<b>Australia</b>		<b>Argentina</b>		<b>Economic Entity</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>REVENUE</b>						
Interest	219,054	19,499	-	-	219,054	19,499
Total revenue	219,054	19,499	-	-	219,054	19,499
<b>RESULT</b>						
Segment result	(353,994)	(130,439)	(80,556)	(38,401)	(434,550)	(168,840)
Loss before income tax expense					(434,550)	(168,840)
Income tax expense					-	-
Loss after income tax expense					(434,550)	(168,840)
<b>ASSETS</b>						
Segment assets	5,264,448	488,628	986,514	228,017	6,250,962	716,645
<b>LIABILITIES</b>						
Segment liabilities	80,219	110,099	26,792	2,828	107,011	112,927

**OROCOBRE LIMITED**

ABN 31 112 589 910

**Notes to the Financial Statements  
for the financial year ended 30 June 2008****NOTE 22: SEGMENT REPORTING (continued)****OTHER**

Acquisitions of non-current Segment assets	-	-	706,543	184,639	706,543	184,639
Depreciation & amortisation of Segment assets	-	-	-	-	-	-
Other non-cash Segment expenses	182,460	-	-	-	182,460	-

**Secondary Reporting: Business Segments**

	Segment Revenues from External Customers		Carrying Amount of Segment Assets		Acquisition of Non- Current Segment Assets	
	2008	2007	2008	2007	2008	2007
<b>Business Segments</b>	\$	\$	\$	\$	\$	\$
Mineral Exploration	219,054	19,499	6,250,962	716,645	706,543	184,639

**Segment accounting policies**

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

There are no intersegment transfers.

**NOTE 23: EVENTS AFTER BALANCE SHEET DATE**

Since the end of the financial year, the company has issued 67,000 fully paid ordinary shares, representing a total issue value of \$22,400. These shares were issued in payment of services provided or to be provided to the company and as part settlement of an option payment on the Olaroz Project.

Since the end of the financial year, the board has granted an aggregate total of 1,025,000 options to staff and principle consultants utilised by the company in Argentina as part of an incentive and retention regime. The options are exercisable at 37.5 cents, during the period 1 August 2009 to 31 July 2011.

**NOTE 24: COMPANY DETAILS**

The registered office and principal place of business is:

Level 1  
349 Coronation Drive  
Milton Queensland 4061  
Australia

# OROCOBRE LIMITED

ABN 31 112 589 910

## Notes to the Financial Statements for the financial year ended 30 June 2008

### NOTE 25: CHANGE IN ACCOUNTING POLICY

The following Australian Accounting Standards have been issued or amended and are applicable to the company but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	Affected standards	Outline of Amendment	Application date	Application date for the Company
AASB 2007-3 Amendments to Australian Accounting Standards	AASB 5 Non-current Assets Held for AASB 6 Exploration for and Evaluation of Mineral AASB 102 Inventories AASB 107 Cash Flow Statements AASB 119 Employee Benefits AASB 127 Consolidated and Separate Financial Statements AASB 134 Interim Financial Reporting AASB 136 Impairment of Assets AASB 1023 General Insurance Contracts AASB 1038 Life Insurance Contracts	The disclosure requirements of AASB 114: Segment Reporting have been replaced due to the issuing of AASB 8: Operating Segments in February 2007. These amendments will involve changes to segment reporting disclosures within the financial report. However, it is anticipated there will be no direct impact on recognition and measurement criteria amounts included in the financial report.	1.1.2009	1.7.2009
AASB 8 Operating Segments	AASB 114 Segment Reporting	As above	1.1.2009	1.7.2009
AASB 2007-6 Amendments to Australian Accounting Standards	AASB 1 First time adoption of AIFRS AASB 101 Presentation of Financial Statements AASB 107 Cash Flow Statements AASB 111 Construction Contracts AASB 116 Property, Plant and Equipment AASB 138 Intangible Assets	The revised AASB 123: Borrowing Costs issued in June 2007 has removed the option to expense all borrowing costs. This amendment will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. However, there will be no direct impact to the amounts included in the financial group as there are no planned borrowings.	1.1.2009	1.7.2009
AASB 123 Borrowing Costs	AASB 123 Borrowing Costs	As above	1.1.2009	1.7.2009
AASB 2007-8 Amendments to Australian Accounting Standards	AASB 101 Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income.	1.1.2009	1.7.2009
AASB 101	AASB 101 Presentation of Financial Statements	As above	1.1.2009	1.7.2009



## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF OROCOBRE LIMITED**

#### **Report on the Financial Report**

We have audited the accompanying financial report of Orocobre Limited (the company) and Orocobre Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

#### ***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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

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 judgment, 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 control 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 control. 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 and the remuneration disclosures in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Independence***

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Orocobre Limited as attached to the directors' report, has not changed as at the date of this auditor's report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OROCOBRE LIMITED (continued)**

***Auditor's Opinion***

In our opinion:

- a. the financial report of Orocobre Limited and Orocobre Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- 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 2008. 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.

***Auditor's Opinion***

In our opinion the Remuneration Report of Orocobre Limited for the year ended 30 June 2008 complies with section 300A of the *Corporations Act 2001*.

*Hayes Knight Audit (Qld) Pty Ltd*

**Hayes Knight Audit (Qld) Pty Ltd**

*Migel Bamford*

**ND Bamford**  
Director

Level 19, 127 Creek Street,  
Brisbane, QLD, 4000

Date: 22 September 2008

**OROCOBRE LIMITED**

ABN 31 112 589 910

**ASX INFORMATION**

Following is additional information required by the Australian Securities Exchange Limited and not disclosed elsewhere in this report.

**1. Shareholding:**

The following information is provided as at 8 October 2008.

## Distribution of Shareholders Number

<b>Category Number (Size of Holding)</b>	<b>Ordinary Shares (Number)</b>
1 - 1,000	6
1,001 - 5,000	29
5,001 - 10,000	75
10,001 - 100,000	261
100,001 - and over	88
	459

The number of shareholdings held in less than marketable parcels is 11.

## Twenty Largest Holders - Ordinary Shares

		<b>Number of Shares Held</b>	<b>% of Total Issued Capital</b>
1	Richard Seville & Associates Pty Ltd <The Seville Super Fund A/C>	2,500,000	4.79
2	Dennis Grenville Hinton & Roslyn Susanna Hinton	2,350,000	4.50
3	Fairground Pty Ltd	2,350,000	4.50
4	Kuratyn Pty Ltd <Crawford Family A/C>	1,920,000	3.68
5	ANZ Nominees Limited <Cash Income A/C>	1,528,366	2.93
6	David William Sproule & Jane Christine Sproule <Sproule Family A/C>	1,500,000	2.87
7	E M Enterprises Qld Pty Ltd <Sherwood Super Fund A/C>	1,500,000	2.87
8	Solar Mate Pty Ltd	1,290,000	2.47
9	John Gordon Park & Shirley Patricia Park <Park Super Fund A/C>	1,170,000	2.24
10	Leon Eugene Pretorius	1,000,000	1.92
11	Coin Equities Pty Ltd	1,000,000	1.92
12	John Michael Moore <The Mike Moore S/F A/C>	1,000,000	1.92
13	Swee Kean Heang	1,000,000	1.92
14	John Gordon Park	1,000,000	1.92
15	Rodney Thomas Lawson	869,400	1.67
16	Fortis Clearing Nominees P/L <Settlement A/C>	793,318	1.52
17	Neil Francis Stuart	624,885	1.20
18	Denis Grenville Hinton & Roslyn Susanna Hinton <Hinton Family Super Fund>	600,000	1.15
19	Fayworth Pty Ltd <Del's A/C>	520,500	1.00
20	Ian Lindsay Cater & Jennifer Louise Cater	515,000	1.00
		25,031,469	47.99

**OROCOBRE LIMITED**  
ABN 31 112 589 910

**ASX INFORMATION**

---

**Unlisted Equity Securities:**

The following unlisted securities were on issue as at 8 October 2008.

Security	Number	No. of Holders
Options exercisable at 25 cents on or before 31 December 2010	8,000,000	6
Options exercisable at 37.5 cents on or before 31 July 2011	1,025,000	8

There are no substantial shareholders listed in the company's register as at 8 October 2008.

**Voting Rights:**

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting has one vote on a show of hands.

There are no voting rights attaching to the Options, but voting rights as detailed above will attach to the ordinary shares issued when the Options are exercised.

**2. Company Secretary:**

The name of the company secretary is Mr. Paul Crawford.

**3. Registers of securities are held at the following address:**

Registries Limited  
Level 2  
28 Margaret Street  
Sydney NSW 2000 Australia

**4. Stock Exchange Listing**

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited, other than those classified as restricted securities and detailed below.

**5. Restricted Securities**

The company has issued the following restricted securities:

Security	Number of Restricted Securities	Date of Cessation of Restriction
Ordinary Shares	9,648,379	4 December 2009
Unlisted Options	8,000,000	4 December 2009

**6. Use of Cash and Convertible assets**

During the period from admission to the official list of the Australian Stock Exchange to 30 June 2008, the company has used cash and assets readily convertible to cash in a manner consistent with its business activities. The company is involved in mineral exploration in Argentina.

**OROCOBRE LIMITED**  
ABN 31 112 589 910

**ASX INFORMATION**

**7. Schedule of Tenements**

Tenement Name	Tenement Number	Area Hectares	Orocobre Interest	Loaction of Tenements
Santo Domingo	414-765-R-04	497	Nil - earning	Argentina
	414-13-R-05	500	Nil - earning	Argentina
	414-1336-R-05	500	Nil - earning	Argentina
	1124-0144-G-06	1,458	Nil - earning	Argentina
	1124-0367-G-06	1,940	Nil - earning	Argentina
	1124-0368-G-06	2,155	Nil - earning	Argentina
	1124-0385-G-06	5,000	Nil - earning	Argentina
Salar Olaroz	257-R-2004	2,000	Nil - earning	Argentina
	258-R-2004	996	Nil - earning	Argentina
	390-R-2005	2,498	Nil - earning	Argentina
	391-R-2005	1,992	Nil - earning	Argentina
La Pampa	14252/06	496	Nil - earning	Argentina
	5229/96	1,500	Nil - earning	Argentina
	3514/99	3,000	Nil - earning	Argentina
	4282/99	4,891	Nil - earning	Argentina
	7166/98	2,900	Nil - earning	Argentina
	0710/98	5,000	Nil - earning	Argentina
	7436/98	3,000	Nil - earning	Argentina
	5314/97	2,500	Nil - earning	Argentina
	6287/97	2,800	Nil - earning	Argentina
	4256/97	3,000	Nil - earning	Argentina
	15959/06	7,480	Nil - earning	Argentina
	7164/98	3,000	Nil - earning	Argentina
	7401/06	2,950	Nil - earning	Argentina
	6450/00	2,940	Nil - earning	Argentina
	15960/06	2,977	Nil - earning	Argentina
	4249/97	3,000	Nil - earning	Argentina
	2020/01	5,000	Nil - earning	Argentina
	7316/01	2,969	Nil - earning	Argentina
	7328/01	2,952	Nil - earning	Argentina
Marayes	193-G-96	2,940	Nil - earning	Argentina
	283-G-97	3,983	Nil - earning	Argentina
	156187-L-76	80	Nil - earning	Argentina