



**OROCOBRE LIMITED
AND CONTROLLED ENTITIES**

ABN 31 112 589 910

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2012**

**OROCOBRE LIMITED
AND CONTROLLED ENTITIES**

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DIRECTORS' REPORT

Your Directors present their report and financial statements of the Group, being the Company and its controlled entities for the financial year ended 30 June, 2012.

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 9 Director meetings. The Board and Committee meetings attended by each Director were:

DIRECTORS	Board		Audit Committee		Remuneration Committee	
	Meetings	Attend	Meetings	Attend	Meetings	Attend
J Calaway	9	9	-	-	2	2
Richard Seville	9	9	-	-	-	-
Neil Stuart	9	9	-	-	-	-
John Gibson	9	8	6	6	-	-
Courtney Pratt	9	9	6	6	2	2
Fernando Oris de Roa	9	8	6	5	2	2
Federico Nicolson	9	8	-	-	-	-

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 of the Company since its incorporation.

Principal Activities

The principal activity of the Group during the year was mineral exploration and project evaluation in Argentina. During the year, activity focused on the Olaroz project approval process with the Provincial Government of Jujuy, project funding arrangements, resource definition at Salar de Salinas Grandes and implementation of the Group's corporate development strategy. There were no significant changes in the nature of the Group's activities during the financial year.

Review of Operations & Operating Result

The group's operating loss for the year, after applicable income tax and non-controlling interests was \$2,830,028 (2011: \$1,789,856). Group exploration and evaluation expenditure for the year totalled \$18,966,205 (2011: \$16,208,604).

Orocobre has interests in a portfolio of large target exploration properties in Argentina. These can be split into two groups. The first group of properties are held by 100% owned Argentine subsidiary, Sales de Jujuy S.A. and contain those properties associated with its flagship Salar de Olaroz Lithium-Potash Project. The second group are held by 85% owned South American Salars S.A. which is exploring for minerals associated with salars (salt lakes) including lithium, potash and boron and has properties in fourteen salars. These include the Salar de Salinas Grandes potash-lithium project, Guayatoyoc potash project and Salar de Cauchari lithium-potash project.

Further details on these projects are available on the Company's website.

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Project Activities

Olaroz Project

The Olaroz Project, located in the Puna region of Jujuy Province of northern Argentina approximately 230 kilometres northwest of the capital city of Jujuy at an altitude of 3,900 metres above sea level, is the Company's flagship project. The Company holds rights to properties (or to applications for properties) at the Olaroz Project covering approximately 63,000 hectares, of which approximately 21,000 hectares is prospective salt crust and salar margins. The Company has a strategic partner on the Olaroz Project with Toyota Tsusho Corporation.

During the year the Company made substantial progress on key activities required to commence construction of commercial operations at the Olaroz Project, relating to the project approvals and project financing. In addition detailed engineering design and procurement processes advanced.

Olaroz Development Approval

Orocobre has been engaged with the government of Jujuy in its efforts to receive final approval for the Olaroz Project since March 2011 when the government declared lithium a strategic mineral resource and introduced a secondary approvals process for lithium related projects.

In June 2012 the Company received confirmation that the Expert Committee responsible for assessing lithium projects in Jujuy province had recommended approval of the Olaroz Project. As part of the approvals process, the Company entered into a binding agreement with Jujuy Energia y Minería Sociedad del Estado ("JEMSE"), whereby JEMSE will hold an equity interest in the Olaroz Project and will provide assistance as needed during the project's development. A summary of the arrangements is provided below:

- JEMSE will hold an 8.5% equity interest in the Olaroz Project through Orocobre's Argentine holding company Sales de Jujuy;
- JEMSE will be required to meet its share of the construction funding required for the Olaroz Project. These funds will be loaned by Orocobre to JEMSE and will be repayable out of 33.3% of dividend distributions JEMSE receives from the Olaroz Project;
- All project debt obligations to Mizuho Bank and JOGMEC will have priority over distributions of any profit due to JEMSE;
- JEMSE will provide key construction assistance services to the Olaroz Project, and will take a leading role liaising with municipal, provincial and national government departments and customs authorities; and,
- The equity position to JEMSE will only be issued to JEMSE upon the completion of the financing of the project by Mizuho Corporate Bank and JOGMEC.

Orocobre considers these arrangements to be an important milestone for the Company, closely aligning the interests of the Province of Jujuy with those of Orocobre and its project partners and provides a framework for a favourable ongoing working relationship between Orocobre and the Province of Jujuy.

The terms of our agreement with JEMSE are on a par with similar agreements entered into to facilitate the development of mining projects in Argentina in the past, and given the overall investment climate in Argentina, this represents a balanced approach to public-private collaboration, and will permit the project to be financed and operated in a profitable manner.

Subsequent to year-end, in July 2012, following the recommendation of the Expert Committee, the Jujuy Government, through the joint resolution of the Production Minister and Secretary to the Government, approved the development of the Olaroz lithium project. Following receipt of the development approval, the mining leases for the project have been granted.

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Project Financing

In December, 2011 Orocobre and Toyota Tsusho mandated Mizuho Corporate Bank Ltd as lead arranger for the debt component of the project development. This is expected to be for 60% of the capital cost which was estimated in the feasibility study at US\$207 million. The facility is planned to be guaranteed by JOGMEC.

The Company has also completed management negotiations with Toyota Tsusho regarding the terms of its investment and project financing arrangements, together with associated shareholders' and marketing agreements. The drafting of definitive agreements and finalization of financing has continued in preparation for the investment approval process for both companies.

Funding is contingent on the completion of all definitive agreements, Mizuho approval of project loans and JOGMEC's approval of guarantees, the finalization of bank loan documents and final investment approval by Toyota Tsusho and Orocobre. There can be no assurance that all these matters will be completed.

The approval process by JOGMEC is now formally underway and it is anticipated that the financing process will complete, together with the investment decision by Toyota Tsusho in September. Assuming that funding is received at such time, project construction will commence immediately thereafter. Engineering work on the ponds, bore-fields, and related infrastructure to support construction is now complete, so that contracts can be awarded and construction start once the financing closes.

Olaroz Long-term Pumping Tests and 3-D Model Simulations

During the year, the Company undertook a long-term pumping test on the Olaroz salar. The pumping test was located in the area of the proposed extraction well field. The well produced high grade brine throughout the test, with average lithium concentrations of 875 ± 10 mg/L, 22% higher than the adjacent diamond drill hole used in the resource estimate that gave 717 ± 80 mg/L Li. The test ran for over three months at a flow rate of 14 litres per second. Interpretation of the data suggests that preferential flow is taking place to the well from specific geological units, where the permeability and grade are higher. The information obtained will allow these specific units to be targeted during production. The flow rate was limited by the capacity of the pump, not by the well or aquifer, so that under production conditions average well flow rates may be expected to be significantly better than the design of 15 litres per second.

The results from the long-term pumping test, together with the data accumulated from previous activity are being used to build and calibrate a 3-D finite difference model of fluid flow and solute transport across the salar.

Preliminary results from the model indicate that the cone of depression resulting from the well field pumping will be limited in extent, and the grade will decline only slowly over the project life, well within the capacity of the solar ponds to ensure a consistent feed to the plant. The model will be used to forecast and control production throughout the project life, as well as to investigate potential production increases. The slow predicted declines in grade coupled with excellent flow rates, suggest the possibility of future project expansions.

Project Engineering Update

During the year Orocobre and its engineering partner, Sinclair Knight Merz (SKM), continued to focus on detailed project engineering and procurement to allow construction to commence at Olaroz once the final governmental approval was received and financing has been completed. Engineering and procurement work on the ponds, bore-fields, and related infrastructure to support construction is now complete, allowing the Company to award contracts and start construction immediately after the financing closes.

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SKM has been involved in the Olaroz Project for over a year and previously completed the engineering and capital and operating cost estimates for the definitive Feasibility Study.

Resource Estimate

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

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

Resource Category	Area	Thickness	Mean specific yield	Brine volume	Concentration			Tonnes of Contained Metal		
					Lithium	Potassium	Boron	Lithium	Potassium	Boron
	kms ²	metres	%	cu m	mg/L	mg/L	mg/L	Million Tonnes	Million Tonnes	Million Tonnes
Measured Resource	93	54	8.4%	0.42	632	4,930	927	0.27	2.08	0.39
Indicated Resource	93	143	10.0%	1.33	708	6,030	1,100	0.94	8.02	1.46
Measured & Indicated Resource	93	197	9.6%	1.75	690	5,730	1,050	1.21	10.10	1.85

South American Salars Joint Venture

South American Salars Pty Ltd was established in 2008 to focus on the exploration and exploitation of minerals found in salars in South America, separate from the Company's development of the Olaroz Project. Through the joint venture the Company has earned an 85% ownership interest in South American Salars. All ongoing funding for South American Salars is provided at the discretion of Orocobre by way of a loan to the joint venture on commercial terms. The Toyota Tsusho Agreement does not include the projects held by South American Salars.

South American Salars now holds approximately 300,000 hectares of properties in 14 areas. These include Salar de Cangrejillo/Salines Grandes, Guayatoyoc and Salar de Cauchari.

Salar de Salinas Grandes Potassium-Lithium Project (Orocobre 85%)

In March 2012, the Company announced an initial resource estimate and issued encouraging results of pumping tests for the Salinas Grandes lithium-potash project in Salta province, northwest Argentina. Salinas Grandes is located 70 kilometres southeast of the company's flagship Salar de Olaroz project.

An independent hydrogeological assessment estimated an inferred resource of 56.5 million cubic metres of brine at 795 milligrams per litre lithium and 9,550 milligrams per litre potassium, which is equivalent to 239,200 tonnes of lithium carbonate and 1.03 million tonnes of potash (potassium chloride), based on 5.32 tonnes of lithium carbonate being equivalent to one tonne of lithium and 1.91 tonnes of potash being equivalent to one tonne of potassium.

Details are given in the table below.

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	Brine Body Parameters				Concentration			Tonnes of Contained Metal		
Resource Category	Area	Average Thickness	Mean specific yield	Brine volume	Lithium	Potassium	Boron	Lithium	Potassium	Boron
	kms ²	metres	%	cu m	mg/L	mg/L	mg/L	Tonnes	Tonnes	Tonnes
Inferred Resource	116.2	13.3	4.1	56.5	795	9,547	283	44,960	539,850	12,100

The estimate extends to an average depth of 13.3 meters, and applies the company's property boundaries and a 1,000 mg/l Li cut-off from the extensive surface pit sampling data to establish peripheral resource boundaries. No internal cut-off boundaries have been used because it is inappropriate to apply them in a fluid resource where extraction will cause mixing. The weighted average specific yield used is 4.1 %.

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

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

Pump testing of auger drill holes determined hydraulic conductivities (K values) in the shallow resource zone averaged 3 m/day, with the exception of one hole which had a substantially higher K value (~ 50 m/day) and may reflect a more permeable channel within the salar. The pump tests were carried out with low flow rates (generally < 1.5 l/s), due to the small hole and casing size and related equipment limitations.

To better understand the behaviour of pumping from the shallow brine unit, four pump tests on purpose-constructed large diameter test production bores at different locations across the salar are planned for the next phase. These will evaluate brine extraction and the stability of brine grade over a long period of time, up to a year, to better understand the potential for commercial production.

The next stage is to undertake long-term pumping tests in four locations within the shallow resource. Provided that adequate pumping rates can be sustained over time, with stable and economic lithium and potassium grades, the company anticipates undertaking further drilling and a preliminary economic assessment for the project.

Salar de Cauchari Project (Orocobre 85%)

In January, 2011 Orocobre announced encouraging results from exploratory well drilling completed at the Company's Salar de Cauchari property, located five kilometres south of the Company's Olaroz Project. The company's South American Salars subsidiary (85%) holds rights to over 30,000 hectares of property at Cauchari.

The objective of the drilling program was to delineate a brine body at the Cauchari Project and to allow a resource estimate to be undertaken. The company's drill program tested the area on the company's leases directly to the southeast of the highest-grade part of the brine body drill tested by Lithium Americas Corp. on its Cauchari lithium project.

The Cauchari Project is located adjacent to the Olaroz Project and is part of the same basin, with similar brine chemistry. The Company considers the two salars to form a single property and so does not currently anticipate developing a separate operation at the Cauchari Project. Instead, the

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Company will determine the value of producing brines from Cauchari and, assuming a development takes place at Olaroz, utilizing those brines through common infrastructure with Olaroz.

If sufficient resource is delineated in the Cauchari Project, the Cauchari brines could be developed and processed at the planned Olaroz Project facilities for an incremental capital cost. This development strategy would require a capacity expansion of the Olaroz processing facilities beyond the currently planned rate of 16,400 tonnes per year of battery-grade lithium carbonate. Similarities in brine type are expected to allow Cauchari brine to be integrated into the planned operation with minor modifications to the processing route.

Financial Position

The net assets of the Orocobre group decreased to \$58,230,890 (2011: \$62,811,499) during the year to 30 June 2012, including cash balances of \$16,480,515 (2011: \$37,678,205). This reduction in cash balance has resulted largely from exploration, evaluation and initial development planning undertaken on Olaroz and other company projects. The value of exploration and evaluation assets carried on the balance sheet at 30 June 2012 is \$43,720,233 (2011: \$27,249,892).

As described above, further funding commitments in relation to the Olaroz Project are subject to the completion of a definitive joint venture operating agreement with Toyota Tsusho and the related project financing agreements. The Company anticipates that, if these agreements are entered into, the investment by Toyota Tsusho and the related project financing would be sufficient, together with the Company's current cash and cash equivalents, for the Company to finance all or substantially all of the current estimated capital cost (including allowances for contingency, owners' costs, capitalised interest, debt service reserve accounts and insurance) of the Olaroz Project. The specific financing requirements, if any, will depend on the final terms of these agreements.

Further financing by the Company would be required in the event that there is a significant increase during construction in actual expenditure from the current estimate in the capital cost of the Olaroz Project or the Company acquires any new projects, and may also be required to advance any deposits identified as a result of the Company's ongoing exploration program or for additional working capital. At this time, the necessity, quantum and timing of these potential financings cannot be estimated. Based on the assessments of the Company's assets in general and economics of the Olaroz Project to date, the Company believes that it will be able to raise such funds, if and when they should be required subject to normal market conditions. However, there can be no assurance that additional financing will be available, as and when required or, if available, that it will be on terms acceptable to the Company.

The directors believe that the group is currently in a strong and stable financial position to support its expanding 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:

James D. Calaway
Executive Chairman

BA – Economic, MA – Politics, Philosophy & Economics

Mr Calaway was appointed a director in May 2009. Mr Calaway is a respected business and civic leader in Houston, Texas. He has considerable experience and success in building young companies into successful commercial enterprises. Mr. Calaway and his family have played major roles in the development of both public and private companies in the United States, including companies engaged

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in oil and gas exploration and production, and commercial wind-farm development. Mr. Calaway currently serves as Chairman of the Board of DataCert Inc, the global leader in legal operations management and serves as a Director on several other U.S. corporate boards. Mr. Calaway is a graduate of the University of Texas and University of Oxford. He is a member of the Remuneration Committee.

Directorships held in other ASX listed companies in the last three years: Elementos 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. Mr Seville is a graduate of the Royal School of Mines, Imperial College and James Cook University North Queensland.

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

Neil F. Stuart **MSc., FAus.IMM, MMICA, MAIG**

Non-Executive Director

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. Mr. Stuart is a graduate of the University of Melbourne and James Cook University of North Queensland

Directorships held in other ASX listed companies in the last three years: Bowen Energy Limited;
Axiom Mining limited; OGL Resources Limited; Elementos Limited

John W. Gibson **Bachelor of Geology, Masters Degree in Geology**

Non-executive Director

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

Prior to joining Tervita, Mr Gibson served as Chief Executive Officer of an enterprise software solutions company serving oil and gas industry clients and has held senior positions with the Halliburton Group of Companies, most recently as President of Halliburton's Energy Services Group.

Mr. Gibson serves on the Boards of Directors for Tervita, Blue Spark Energy Inc., and I-Pulse Inc. He is a member of the University of Houston Energy Advisory Committee, and Houston Baptist University Board of Trustees.

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

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

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Courtney Pratt

Non-Executive Director

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

Mr Pratt served as Chairman and Chief Executive Officer of the Toronto Region Research Alliance to March 2010. He is also Chairman of Knightsbridge Human Capital and a director of Moosehead Breweries Limited, 407 International Inc. and CMA Holdings, the physician services arm of the Canadian Medical Association. Mr Pratt was awarded the Order of Canada in January 1999. He is Chairman of the Remuneration Committee and a member Audit Committee.

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

Fernando Oris de Roa Masters of Public Administration

Non-Executive Director

Mr Oris de Roa was appointed a director in June 2010. Mr Oris de Roa is a highly successful business leader with a history of developing and operating large enterprises in Argentina and with a reputation for integrity and social responsibility in his business life. Mr Oris de Roa began his 23 year career with large trading company, Continental Grain, in 1970, working in USA, Spain, Switzerland, Brazil and Argentina and rose through the ranks to be responsible for all of Latin America. As Chief Executive, he is widely credited with turning S.A. San Miguel into the largest and most profitable lemon and lemon products company in the world. The process of restructuring included listing S.A. San Miguel on the Buenos Aires Stock Exchange in 1997.

Mr Oris de Roa has been Chief Executive and significant shareholder of Avex S.A. since 2004. He has also held the role of Director of Patagonia Gold and holds a Masters of Public Administration from The Kennedy School of Government at Harvard University. He is a member of the Audit Committee.

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

Federico Nicolson Bachelor of Law

Non-Executive Director

Mr Nicholson was appointed a director in September, 2010. Mr Nicholson currently serves as an Executive Director of Ledesma S.A.A.I. (Ledesma), a diversified Argentine agro-industrial producer that specializes in sugar, alcohol, paper, fruits, juices, livestock and grains. In addition to his Board duties he has full responsibility for Ledesma's Public Affairs and Corporate Management.

Mr Nicholson is also the Vice President of the Argentine Industrial Union (UIA), the country's leading business advocacy group. He also serves as a President of the Argentine North Regional Sugar Centre, Vice President of the Argentine Pulp and Paper Association, and Deputy Secretary of the Food Industries Association. Mr Nicholson is the former President of the National Industrial Movement, and former Vice President of the Argentine Corn Starch and Syrups Chamber. Mr Nicholson is law graduate from Universidad de Buenos Aires, Argentina.

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

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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:-

Directors	Shares	Options
JD Calaway	8,828,000	150,000
RP Seville	4,821,500	-
NF Stuart	5,642,996	100,000
JW Gibson	25,000	100,000
C Pratt	-	100,000
F Oris de Roa	-	100,000
F Nicolson	-	100,000

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 Group 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.

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

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

The remuneration policy, setting the terms and conditions for the managing director was developed and approved by the non-executive directors. The managing director receives payments provided for under an employment agreement.

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 \$400,000. One-third, by number, of non-executive directors retire by rotation at the Company's annual general meeting.

The Company currently has short term and long term performance based incentive components built into director and executive employment agreements. The Company's remuneration policy provides for long-term incentives to be offered through an employee share option plan. During the current year 650,000 options were granted under this plan to directors and 400,000 options were granted to key management personnel since the end of the year and up to the date of this report. Further details on options issued under the Plan are set out in note 19 in the financial statements. No key management personnel are entitled to receive securities which are not incentive based as part of their remuneration. Company policy prohibits holders of such options from entering hedge arrangements on any unvested options.

Short term incentives are based on key performance indicators which are set regularly and include factors such as operational and financial performance. Performance factors currently in use are all based on internal factors. Performance is monitored by the Remuneration Committee.

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The company does not engage remuneration consultants, however the Board has established a Remuneration Committee to take primary responsibility 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:

2012	Short term benefits			Post	
Key Management Personnel	Fees/ Salary (\$)	Non- Cash Benefits (\$)	Equity Settled Options (\$)	Employment Super- annuation (\$)	Total (\$)
James D Calaway (i) (ii)	300,000	-	39,033	-	339,033
Neil F Stuart (i)	40,000	-	26,023	-	66,023
Richard P Seville (iii)	587,395	-	-	29,925	617,320
John W Gibson	40,000	-	26,023	-	66,023
Courtney Pratt	40,000	-	26,023	-	66,023
Fernando Oris de Roa	40,000	-	26,023	-	66,023
Federico Nicolson	40,000	-	26,023	-	66,023
Paul A Crawford (i)	-	-	-	-	-
	1,087,395	-	169,148	29,925	1,286,468

2011	Short term benefits			Post	
Key Management Personnel	Fees/ Salary (\$)	Non- Cash Benefits (\$)	Equity Settled Options (\$)	Employment Super- annuation (\$)	Total (\$)
James D Calaway (i) (ii)	127,279	-	-	-	127,279
Neil F Stuart (i)	40,000	-	-	-	40,000
Richard P Seville (iii)	498,717	-	-	28,125	526,842
John W Gibson	40,104	-	-	-	40,104
Courtney Pratt	40,515	-	-	-	40,515
Fernando Oris de Roa	40,000	-	-	-	40,000
Federico Nicolson	31,222	-	-	-	31,222
Paul A Crawford (i)	-	-	-	-	-
	817,837	-	-	28,125	845,962

- (i) In addition to the individual remuneration amounts shown in the above table, \$64,930 was paid to Lithium Investors LLC, an entity associated with Mr Calaway and \$144,075 was paid to Cambridge Business & Corporate Services, an entity associated with Mr Crawford for professional services rendered to the Company during the year. Refer to note 17 of the financial report.
- (ii) Mr Calaway's fees/salary figure comprises \$75,000 director fees, \$125,000 for corporate development and investor relations services and \$100,000 bonus. The bonus represents a special payment awarded by the Board for the exceptional and successful effort in gaining the required approvals for the Olaroz project. This figure is included for accounting purposes but was not paid in the 2012 financial year.
- (iii) Included in salary for Mr Seville is a \$215,000 (2011: \$157,000) bonus payment for achievement of operational and performance targets.

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Following are employment details of persons who were key management personnel of the group during the financial period.

Key Management Personnel	Position held & change during period	Contract Details	Proportion of Remuneration:			Total
			Related to performance		Not related to performance	
			Cash	Options	Salary & Fees	
JD Calaway	Executive Chairman Remuneration Committee	No fixed term, termination as provided by Corporations Act	-	15.7%	84.3%	100%
RP Seville	Managing Director	No fixed term, 3 months notice to terminate, 12 mth severance pay	34.8%	-	65.2%	100%
NF Stuart	Non-executive Director	No fixed term, termination as provided by Corporations Act	-	39.4%	60.6%	100%
JW Gibson	Non-executive Director Chairman Audit Committee	No fixed term, termination as provided by Corporations Act	-	39.4%	60.6%	100%
C Pratt	Non-exec. Director Audit C'tee Remuneration Committee Chair	No fixed term, termination as provided by Corporations Act	-	39.4%	60.6%	100%
F Oris de Roa	Non-exec. Director Audit C'tee Remuneration Committee	No fixed term, termination as provided by Corporations Act	-	39.4%	60.6%	100%
F Nicolson	Non-executive Director (appointed 15/09/10)	No fixed term, termination as provided by Corporations Act	-	39.4%	60.6%	100%
PA Crawford	Company Secretary	No fixed term, termination by notice	-	-	100%	100%

The terms of appointment of the Non-executive Directors provide for the payment of fixed directors' fees and consulting fees for services provided in addition to their commitment as directors.

Options granted as remuneration

During the year the Company issued equity based performance remuneration to the non-executive directors in the form of share options. These were long term incentives to better align the interests of the Company and Directors. This was approved by the shareholders at the 2011 Annual General Meeting. Details of these options are summarised below.

**OROCOBRE LIMITED
AND CONTROLLED ENTITIES**

ABN 31 112 589 910

DIRECTORS' REPORT

Key Management Personnel	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date	Total Value	Terms & Conditions of Grant		
						Exercise price	First Exercise Date	Last Exercise Date
JD Calaway	nil	150,000	1.12.2011	\$0.76	\$113,850	\$1.50	1.12.2011	1.11.2016
NF Stuart	nil	100,000	1.12.2011	\$0.76	\$76,000	\$1.50	1.12.2011	1.11.2016
JW Gibson	nil	100,000	1.12.2011	\$0.76	\$76,000	\$1.50	1.12.2011	1.11.2016
C Pratt	nil	100,000	1.12.2011	\$0.76	\$76,000	\$1.50	1.12.2011	1.11.2016
F Oris de Roa	nil	100,000	1.12.2011	\$0.76	\$76,000	\$1.50	1.12.2011	1.11.2016
F Nicolson	nil	100,000	1.12.2011	\$0.76	\$76,000	\$1.50	1.12.2011	1.11.2016

Employment Contract of Key Management Personnel

An agreement for services between the Company and the Chairman was established from February 2011. The agreement provides for a fixed remuneration of A\$125,000 per annum for the performance of specified functional duties on behalf of the CEO. These duties are performed in addition to the duties of the Chairman of the Board of Directors.

A contract for service between the Company and the Managing Director was completed in October 2010. It does not provide for a fixed term of employment but provides for annual review of the compensation value. The contract also provides the opportunity to earn a cash bonus of up to 75% of the annual base salary, subject to achieving annual key performance indicators. The contract also allows for participation in a long term incentive plan as operated by the Company (no such plan is currently in place).

The Company may terminate the Managing Director's contract without cause by giving 3 months' notice. If terminated without cause, the Managing Director is entitled to a severance payment equal to 12 months of annual base salary.

In the case of serious misconduct the Company can terminate employment at any time. The terms of this agreement are not expected to change in the immediate future.

The terms of appointment of the Non-executives provide for the payment of fixed Director's fees and consulting fees for services provided in addition to their commitment as directors.

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.

	2009	2010	2011	2012
Exploration & evaluation expenditure (\$)	3,282,514	12,776,410	16,208,604	18,966,205
Net assets (\$)	10,249,103	34,251,637	62,811,499	58,230,890
Share Price at Year-end (\$)	0.59	1.70	2.06	1.845
Dividends Paid (\$)	Nil	Nil	Nil	Nil

**OROCOBRE LIMITED
AND CONTROLLED ENTITIES**

ABN 31 112 589 910

DIRECTORS' REPORT

Dividends

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

Significant Changes in State of Affairs

There have been no 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
9 August 2010	30 June 2013	\$2.03	435,000
9 August 2010	30 June 2015	\$2.03	400,000
1 December 2011	30 June 2016	\$1.50	650,000
31 July 2012	30 July 2017	\$1.50	400,000

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. During the year, 650,000 options were granted pursuant to the Company's Employee and Officer Share Option Plan. An additional 400,000 options were granted under the Plan after the end of the year.

During the year 125,000 ordinary shares in the Company were issued on exercise of options. This relates to options granted in 2008 and exercised at A\$0.375. No amounts are unpaid on the shares.

There are no other unissued shares or interests under option of any controlled entity within the group at the reporting date.

Subsequent Events, Future Developments, Prospects and Business Strategies

Following development approval and grant of mining leases in relation to the Olaroz project, the Company will move to finalise project funding and commence development during the coming year. The Directors will continue to carry out an active exploration program on its other 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.

The Company has issued 125,000 shares subsequent to balance date following the exercise of options raising \$46,875.

Since the end of the financial year, the Company has granted 400,000 options to staff under the Employee & Officer Share Option Plan. Options vest progressively over a number of years, are exercisable at \$1.50 and expiring on 30 July 2017.

As previously mentioned by the company in its public announcements, in addition to the active exploration and development program on its Argentine tenements, the company from time to time reviews other opportunities for resource exploration and development. At the date of signing these financial statements no specific opportunities have been committed to. However the Company is currently assessing a potential acquisition opportunity but there can be no assurance that any transaction will occur.

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.

**OROCOBRE LIMITED
AND CONTROLLED ENTITIES**

ABN 31 112 589 910

DIRECTORS' REPORT

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.

Indemnifying Directors, Officers and Auditors

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 and Officers 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 contracts include a prohibition on disclosure of the premium paid and nature of the liabilities covered under the policy.

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 Audit Committee on behalf of the board 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 its lead auditor \$14,800 for other assurance services.

Overseas firms associated with the company's lead auditor received fees totalling \$2,592 for other accounting compliance services.

**OROCOBRE LIMITED
AND CONTROLLED ENTITIES**

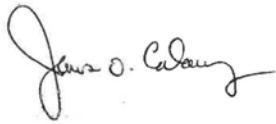
ABN 31 112 589 910

DIRECTORS' REPORT

Auditor's Independence Declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 has been received and is included in this financial report.

The directors' report incorporating the remuneration report is signed in accordance with a resolution of the Board of Directors.



James D Calaway
Chairman

Signed: 17 August 2012



Richard P Seville
Managing Director

Competent Person Statements

The technical information in respect of the Salinas Grandes initial resource estimate and in respect of the exploratory drilling results at Cauchari has been prepared by Murray Brooker. Murray Brooker is a geologist and hydrogeologist and is a Member of the Australian Institute of Geoscientists. Murray has sufficient relevant experience to qualify as a competent person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. He is also a "Qualified Person" as defined by Canadian Securities Administrators' National Instrument 43-101. Murray Brooker consents to the inclusion in this announcement of this information in the form and context in which it appears.

The work reported in this announcement in respect of Olaroz Project long-term pumping tests and 3D model simulations has been undertaken under the supervision of John Houston, a Chartered Geologist and Fellow of the Geological Society of London, who acts as a competent person under the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. He is also a "Qualified Person" as defined by Canadian Securities Administrators' National Instrument 43-101. John Houston consents to the inclusion in this announcement of this information in the form and context in which it appears.

All other technical information in this announcement has been reviewed and approved by Mr. Neil Stuart, a non-executive director of Orocobre. Neil Stuart is a geologist and is a Fellow of The Australasian Institution of Mining and Metallurgy. Neil has sufficient relevant experience to qualify as a competent person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. He is also a "Qualified Person" as defined in NI 43-101. Neil Stuart consents to the inclusion in this announcement of this information in the form and context in which it appears.



Hayes Knight

Accountants, Advisors & Auditors

Hayes Knight Audit (Qld) Pty Ltd
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Registered Audit Company 299289

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**AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF OROCOBRE LIMITED
AND CONTROLLED ENTITY'S**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012 there have been:

- i. no contraventions of 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

A.M. Robertson

A.M. Robertson
Director

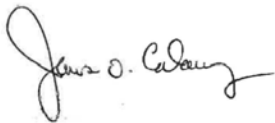
Date: 17 August 2012

OROCOBRE LIMITED
and CONTROLLED ENTITIES
ABN 31 112 589 910

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Orocobre Limited, 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 Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (b) give a true and fair view of the financial position as at 30 June 2012 and of the performance of the consolidated group 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.



James D Calaway
Chairman



Richard P Seville
Managing Director

Dated this: 17th day of August 2012

OROCOBRE LIMITED and CONTROLLED ENTITIES

ABN 31 112 589 910

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2012

	Note	Consolidated Group 30 June 2012 \$	30 June 2011 \$
Revenue	2	1,602,946	1,324,656
Corporate & administrative expenses		(1,321,213)	(1,420,121)
Employee benefits expenses	3	(2,169,030)	(1,944,680)
Occupancy costs		(169,253)	(160,517)
Capitalised exploration & evaluation expenditure written off		(756,014)	-
Foreign currency gain/(loss)		(182,024)	356,489
Loss before income tax		(2,994,588)	(1,844,173)
Income tax expense	4	-	-
Loss for the year		(2,994,588)	(1,844,173)
Other comprehensive income			
Exchange differences on translation of foreign controlled entities		(1,828,244)	(5,127,145)
Net gain on revaluation of financial assets		(172,473)	81,071
Other comprehensive income for the year, net of tax		(2,000,717)	(5,046,074)
Total comprehensive income / (loss) for the year		(4,995,305)	(6,890,247)
Loss attributable to:			
Members of the parent entity		(2,830,028)	(1,789,856)
Non-controlling interest		(164,560)	(54,317)
		(2,994,588)	(1,844,173)
Total comprehensive income/ (loss) attributable to:			
Members of the parent entity		(4,830,745)	(6,835,930)
Non-controlling interest		(164,560)	(54,317)
		(4,995,305)	(6,890,247)
Basic earnings per share (cents per share)	5	(2.74)	(1.88)
Diluted earnings per share (cents per share)	5	(2.74)	(1.88)

The accompanying notes form part of these financial statements.

OROCOBRE LIMITED and CONTROLLED ENTITIES

ABN 31 112 589 910

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Note	30 June 2012 \$	30 June 2011 \$
CURRENT ASSETS			
Cash and cash equivalents	7	16,480,515	37,678,205
Trade and other receivables	8	284,655	311,264
Other	9	61,655	119,673
Total Current Assets		16,826,825	38,109,142
NON-CURRENT ASSETS			
Financial assets	10	96,634	269,107
Property, plant and equipment	11	779,421	340,088
Exploration and evaluation asset	12	43,720,233	27,249,892
Trade and Other receivables	8	2,928,963	2,146,973
Total Non-Current Assets		47,525,251	30,006,060
TOTAL ASSETS		64,352,076	68,115,202
CURRENT LIABILITIES			
Trade and other payables	13	6,121,186	5,303,703
Total Current Liabilities		6,121,186	5,303,703
TOTAL LIABILITIES		6,121,186	5,303,703
NET ASSETS		58,230,890	62,811,499
EQUITY			
Issued Capital	14	76,029,387	75,960,637
Reserves	15	(6,799,147)	(5,144,376)
Accumulated losses		(11,150,770)	(8,320,743)
Parent interest		58,079,470	62,495,518
Non controlling interest		151,420	315,981
TOTAL EQUITY		58,230,890	62,811,499

The accompanying notes form part of these financial statements.

OROCOBRE LIMITED and CONTROLLED ENTITIES

ABN 31 112 589 910

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2012

	Note	Share Capital	Accumulated Losses	Option Reserve	Foreign Currency Translation Reserve	Financial Assets Reserve	Non controlling Interests	Total
		\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2010		40,954,552	(6,530,887)	31,502	(453,828)	(120,000)	370,298	34,251,637
Loss attributable to members of the company		-	(1,789,856)	-	-	-	-	(1,789,856)
Loss attributable to non controlling interests		-	-	-	-	-	(54,317)	(54,317)
Other comprehensive income for the year		-	-	-	(5,127,145)	81,071	-	(5,046,074)
Total comprehensive income (loss)		-	(1,789,856)	-	(5,127,145)	81,071	(54,317)	(6,890,247)
Shares issued during the year	14	37,611,864	-	-	-	-	-	37,611,864
Transaction costs		(2,636,654)	-	-	-	-	-	(2,636,654)
Options expensed during the year	14	-	-	474,899	-	-	-	474,899
Options exercised during the year	14	30,875	-	(30,875)	-	-	-	-
Balance at 30 June 2011		<u>75,960,637</u>	<u>(8,320,743)</u>	<u>475,526</u>	<u>(5,580,973)</u>	<u>(38,929)</u>	<u>315,981</u>	<u>62,811,499</u>
Loss attributable to members of the company		-	(2,830,027)	-	-	-	-	(2,830,027)
Loss attributable to non controlling interests		-	-	-	-	-	(164,561)	(164,561)
Other comprehensive income for the year		-	-	-	(1,828,244)	(172,473)	-	(2,000,717)
Total comprehensive income (loss)		-	(2,830,027)	-	(1,828,244)	(172,473)	(164,561)	(4,995,305)
Shares issued during the year	14	56,875	-	-	-	-	-	56,875
Options expensed during the year	14	-	-	357,821	-	-	-	357,821
Options exercised during the year	14	11,875	-	(11,875)	-	-	-	-
Balance at 30 June 2012		<u>76,029,387</u>	<u>(11,150,770)</u>	<u>821,472</u>	<u>(7,409,217)</u>	<u>(211,402)</u>	<u>151,420</u>	<u>58,230,890</u>

The accompanying notes form part of these financial statements.

OROCOBRE LIMITED and CONTROLLED ENTITIES
ABN 31 112 589 910

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2012

	Note	Consolidated Group 2012 \$	2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(4,123,164)	(6,291,808)
Interest received		1,448,556	1,145,815
Other income		143,578	-
Net cash provided by (used in) operating activities	16	(2,531,030)	(5,145,993)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capitalised exploration expenditure	12	(18,200,189)	(16,057,008)
Purchase of property, plant and equipment	11	(646,059)	(313,409)
Purchase of listed shares	10	-	(58,036)
Proceeds from sale of property, plant and equipment		46,033	14,730
Net cash provided by (used in) investing activities		(18,800,215)	(16,413,723)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	14	46,875	37,460,268
Costs associated with share issue	14	-	(2,528,316)
Funds provided under joint venture agreement		-	67,107
Net cash provided by (used in) financing activities		46,875	34,999,059
Net increase in cash held		(21,284,370)	13,439,343
Cash and cash equivalents at beginning of year		37,678,205	24,482,793
Effect of exchange rates on cash holdings in foreign currencies		86,680	(243,931)
Cash at end of year	7	16,480,515	37,678,205

The accompanying notes form part of these financial statements.

OROCOBRE LIMITED and CONTROLLED ENTITIES

ABN 31 112 589 910

Notes to the Financial Statements for the year ended 30 June 2012

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

The separate financial statements of the parent entity, Orocobre Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 17 August 2012 by the directors of the company.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Australian Corporations Act 2001. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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

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

Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Orocobre Limited at the end of the reporting period. A controlled entity is any entity over which Orocobre Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 25 to the

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

OROCOBRE LIMITED and CONTROLLED ENTITIES

ABN 31 112 589 910

Notes to the Financial Statements for the year ended 30 June 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combinations are expensed to the statement of comprehensive

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Income Tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are 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 outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability 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 and 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.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or

Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

OROCOBRE LIMITED and CONTROLLED ENTITIES

ABN 31 112 589 910

Notes to the Financial Statements for the year ended 30 June 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 the end of each reporting period.

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 statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Exploration and Development Expenditure

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

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.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

Restoration Costs

Costs of site restoration are provided over the life of the project 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 local laws and regulations and clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an

Any changes in the estimates for the costs are accounted for 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

Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

OROCOBRE LIMITED and CONTROLLED ENTITIES

ABN 31 112 589 910

Notes to the Financial Statements for the year ended 30 June 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense in

The group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Available-for-sale investments

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

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

Financial Liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

OROCOBRE LIMITED and CONTROLLED ENTITIES

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Notes to the Financial Statements for the year ended 30 June 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity 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 discharged, cancelled or have expired. The difference between the carrying amount 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

Impairment of Assets

At the end of each reporting period the group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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 available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Issued Capital

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

Employee Benefits

Provision is made for the group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

Equity-settled compensation

The group operates an employee share ownership plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Binomial Option Valuation pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

OROCOBRE LIMITED and CONTROLLED ENTITIES

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Notes to the Financial Statements for the year ended 30 June 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Other Income

Interest revenue is recognised using the effective interest method.

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 (or overseas, VAT), except where the amount of GST incurred is not recoverable from the relevant taxation authority.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

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.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting

Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised 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.

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

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 consolidated financial statements are presented in Australian dollars, which is the parent entity's functional 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.

OROCOBRE LIMITED and CONTROLLED ENTITIES

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Notes to the Financial Statements for the year ended 30 June 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exchange differences arising on the translation of monetary items are recognised in profit or loss, 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 other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

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 the end of the reporting period;
- 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 with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed of.

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 group.

The group makes estimates and judgements 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, primarily where activities in the area of interest have not yet reached a stage which permits reasonable assessment of economically recoverable reserves. Otherwise expenditure 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.

New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the group. The group has decided not to early adopt any of the new and amended pronouncements. The group's assessment of the new and amended pronouncements that are relevant to the group but applicable in future reporting periods is set out below:

- AASB 9: Financial Instruments (December 2010) and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;

OROCOBRE LIMITED and CONTROLLED ENTITIES

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Notes to the Financial Statements for the year ended 30 June 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes and incorporates Interpretation 121: Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment

The amendments are not expected to significantly impact the group.

AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either “joint operations” (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or “joint ventures” (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a “structured entity”, replacing the “special purpose entity” concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the group.

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Notes to the Financial Statements for the year ended 30 June 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 17, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are not expected to significantly impact the group.

AASB 2011-9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or

The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

This Standard affects presentation only and is therefore not expected to significantly impact the group.

AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB101, AASB124, AASB134, AASB1049 & AASB 2011-8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The group does not have any defined benefit plans and so is not impacted by the amendment.

AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

- (i) for an offer that may be withdrawn – when the employee accepts;
- (ii) for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and
- (iii) where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are

AASB 2012-2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities: Principally amends AASB 7 'Financial Instruments: Disclosures' to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's

AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities: Adds application guidance to AASB 132 'Financial Instruments: Presentation' to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement

OROCOBRE LIMITED and CONTROLLED ENTITIES

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Notes to the Financial Statements for the year ended 30 June 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 2012-4: Amendments to Australian Accounting Standards – Government Loans’: Adds an exception to the retrospective application of Australian Accounting Standards under AASB 1 ‘First-time Adoption of Australian Accounting Standards’ to require that first-time adopters apply the requirements in AASB 139 ‘Financial Instruments: Recognition and Measurement (or AASB 9 ‘Financial Instruments’) and AASB 120 ‘Accounting for Government Grants and Disclosure of Government Assistance’ prospectively to government loans (including those at a below-market rate of interest) existing at the date of transition to Australian Accounting Standards

AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle’: Makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The Standard addresses a range of improvements, including the following: repeat application of AASB 1 is permitted (AASB 1); and clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 ‘Presentation of Financial

AASB 1048: Interpretation of Standards (revised)’: Identifies the Australian Interpretations and classifies them into two groups: those that correspond to an IASB Interpretation and those that do not. Entities are required to apply each relevant Australian Interpretation in preparing financial statements that are within the scope of the Standard. The revised version of AASB 1048 updates the lists of Interpretations for new and amended Interpretations issued since the June 2010 version

AASB 2012-2: AASB 2012-4 and AASB 2012-5 apply to annual reporting periods beginning on or after 1 January 2013. AASB 2012-3 applies to annual reporting periods beginning on or after 1 January 2014. AASB 1048 applies to annual reporting periods ending on or after 30 June 2012. Earlier application of the Standards is permitted, with some conditions.

The group has not yet been able to reasonably estimate the impact of these changes to AASB 119.

OROCOBRE LIMITED and CONTROLLED ENTITIES

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**Notes to the Financial Statements
for the year ended 30 June 2012**

	Consolidated Group	
	2012	2011
	\$	\$
NOTE 2: REVENUE AND OTHER INCOME		
Operating activities:		
Interest - other persons	1,449,720	1,145,815
Other revenue	143,578	178,841
Gain on sale of plant & equipment	9,648	-
	<u>1,602,946</u>	<u>1,324,656</u>
NOTE 3: PROFIT/(LOSS) FOR THE YEAR		
Included in expenses are the following items:		
Capitalised exploration & evaluation expenditure written-off	756,014	-
Depreciation & amortisation	125,279	96,735
Rental expense on operating lease	112,760	112,309
Foreign currency translation losses/(gains)	182,024	(356,489)
Employee benefits expense comprises:		
Short term benefits	4,434,142	2,891,859
Contributions to defined contribution plans	64,237	52,518
Share based payments	357,821	474,898
Less capitalised as exploration expenditure	(2,687,170)	(1,474,595)
	<u>2,169,030</u>	<u>1,944,680</u>
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% (2010: 30%).	(898,376)	(553,252)
Adjust for tax effect of:		
Non-deductible amounts	(240,627)	(210,584)
Tax losses and temporary differences not brought to account	1,139,003	763,836
Income tax expense/(benefit) attributable to entity	-	-
Weighted average effective tax rate	<u>0.00%</u>	<u>0.00%</u>

The Group has unconfirmed carry forward losses of approximately \$11,000,000 in Australia and \$4,000,000 in foreign losses (2011: \$10,000,000).

As set out in note 1, the availability of these losses is dependent upon compliance with income tax legislation in Australia and foreign jurisdictions.

OROCOBRE LIMITED and CONTROLLED ENTITIES

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**Notes to the Financial Statements
for the year ended 30 June 2012**

Consolidated Group	
2012	2011
\$	\$

NOTE 4: INCOME TAX EXPENSE (continued)

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 share issue costs, provisions and other items)	63,186	907,394
Tax losses	5,132,010	3,127,710
Net unbooked deferred tax asset	5,195,196	4,035,104

NOTE 5: EARNINGS PER SHARE

Loss for the financial year	2,994,588	1,844,173
Exclude non-controlling interest	(164,560)	(54,317)
Net loss used in the calculation of basic and dilutive EPS	2,830,028	1,789,856

Weighted average number of ordinary shares outstanding during	No.	No.
Weighted average number of options outstanding	103,184,354	95,314,588
Weighted average number of ordinary shares outstanding during	-	-
	103,184,354	95,314,588

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 are not presently dilutive and have been excluded from the calculation of diluted EPS.

NOTE 6: AUDITORS' REMUNERATION

Remuneration of the auditor of the parent entity for:		
- auditing or reviewing the financial report	61,300	47,500
- other assurance services	14,800	5,000
- other services (due diligence)	-	38,000
	76,100	90,500

Remuneration of other auditors of subsidiaries for:		
- auditing or reviewing the financial report	107,803	51,965
- other services (accounting compliance)	2,592	7,705
	110,395	59,670

NOTE 7: CASH AND CASH EQUIVALENTS

Cash at bank and on hand	2,063,596	1,261,170
Short term deposits	14,416,919	36,417,035
	16,480,515	37,678,205

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

The effective interest rate on short term deposits was 5.3% (2011: 3.2%). Deposits have an average maturity of 56 days.

OROCOBRE LIMITED and CONTROLLED ENTITIES

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**Notes to the Financial Statements
for the year ended 30 June 2012**

	Consolidated Group	
	2012	2011
	\$	\$
NOTE 8: TRADE AND OTHER RECEIVABLES		
Current:		
Related party receivables	17,528	32,242
Other receivables	267,127	279,022
	284,655	311,264
Non Current:		
VAT tax credits	2,928,963	2,146,973
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. There are no balances with terms that have been renegotiated but which would otherwise be past due or impaired. The amounts are non-interest bearing and generally on 30 days terms. No collateral is held over receivables.		
Credit Risk – Trade and Other Receivables		
Included in non-current receivables is \$2,928,963 (2011: \$2,146,973) being VAT recoveries due from the Argentine revenue authority. This amount represents a significant concentration of credit risk to the Group. On a geographical basis the Group has total receivables of A\$3,103,006 (2011: A\$2,284,427) denominated in Argentine pesos, which represents a significant concentration of credit risk to the Group. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.		
NOTE 9: OTHER ASSETS		
Current:		
Prepayments	61,655	119,673
NOTE 10: FINANCIAL ASSETS		
Available for sale financial assets (at fair value)		
Non-current - Shares in listed entity	96,634	269,107

OROCOBRE LIMITED and CONTROLLED ENTITIES

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**Notes to the Financial Statements
for the year ended 30 June 2012**

	Consolidated Group	
	2012	2011
	\$	\$
NOTE 11: PLANT AND EQUIPMENT		
Plant and equipment		
At cost	1,000,698	462,832
Accumulated depreciation	(221,277)	(122,744)
Total plant and equipment	<u>779,421</u>	<u>340,088</u>
Reconciliation of the carrying amounts for property, plant and equipment is set out below:		
Balance at the beginning of year	340,088	200,938
Additions	646,059	313,409
Disposals	(34,904)	(7,968)
Depreciation expense	(125,279)	(96,735)
Foreign currency translation movement	(46,543)	(69,556)
Carrying amount at the end of year	<u>779,421</u>	<u>340,088</u>

NOTE 12: EXPLORATION AND EVALUATION ASSET

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

Exploration and evaluation phase - at cost	<u>43,720,233</u>	<u>27,249,892</u>
Movement in exploration and evaluation asset:		
Opening balance - at cost	27,249,892	15,376,489
Capitalised exploration expenditure	18,966,205	16,208,604
Capitalised exploration expenditure written-off	(756,014)	-
Foreign currency translation movement	(1,739,850)	(4,335,201)
Carrying amount at the end of year	<u>43,720,233</u>	<u>27,249,892</u>

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.

Capitalised exploration expenditure includes \$10,000 (2011: \$151,596) settled by way of share issue (note 14).

As detailed in the Directors' Report, the Company has entered into a binding agreement with Jujuy Energia y Minería Sociedad del Estado ("JEMSE"), whereby JEMSE will acquire an 8.5% equity interest in the Olaroz Project and provide assistance as needed during the project's development. JEMSE will only acquire this equity position upon completion of the project financing by Mizuho Corporate Bank and JOGMEC.

OROCOBRE LIMITED and CONTROLLED ENTITIES

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Notes to the Financial Statements for the year ended 30 June 2012

	Consolidated Group	
	2012	2011
	\$	\$
NOTE 13: TRADE AND OTHER PAYABLES		
Current:		
Sundry payables and accrued expenses	1,624,613	1,023,590
Joint venture contributions received (a)	4,397,280	4,198,545
Short term employee benefits	87,293	66,237
Payable to related entities	12,000	15,331
Total trade & other payables (unsecured)	6,121,186	5,303,703

- (a) In January 2010, the parent entity entered into an agreement to establish a joint venture with Toyota Tsusho Corporation ("TTC"), a Toyota Group company to develop the Olaroz Lithium-Potash Project in Argentina. Under the agreement TTC has provided US\$4.5million to fund the completion of the Definitive Feasibility Study and other associated pre-development activities. Subject to the finalising of the terms of a joint venture operating agreement TTC may acquire a 25 percent equity interest in the joint venture at a cost based on the NPV estimated from the Definitive Feasibility Study. Contributions received to date of US\$4,500,000, may be applied as consideration for TTC's equity interest in the joint venture directly. Alternatively if a form of joint venture does not proceed, the \$US 4,500,000 contribution will be applied to the issue of shares in Orocobre Ltd to TTC at a pre-determined price. TTC is yet to give notice on its intentions.

	2012	2011
	\$	\$
NOTE 14: ISSUED CAPITAL		
Fully paid ordinary shares	76,029,387	75,960,637
Ordinary shares		
Balance at the beginning of the reporting year	103,063,894	91,036,426
Shares issued during the year:		
Previous financial year	-	12,027,468
29 July 2011- Option exercise at \$0.375	125,000	-
15 August 2011 - Tenement acquisition at \$1.63	6,135	-
Balance at the end of the reporting year	103,195,029	103,063,894

Capital raised during the financial year totalled \$46,875, nil costs (2011: \$37,611,864 less \$2,636,654 of costs).

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 and CONTROLLED ENTITIES

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Notes to the Financial Statements for the year ended 30 June 2012

Consolidated Group
2012 2011
\$ \$

NOTE 14: ISSUED CAPITAL (continued)

Options	No.	No.
Unlisted Share Options	1,485,000	960,000
Balance at the beginning of the reporting year	960,000	525,000
Options issued during the year	650,000	835,000
Exercise of options during the year	(125,000)	(325,000)
Options lapsed during the year	-	(75,000)
Balance at the end of the reporting year	1,485,000	960,000

During the year, 650,000 options were granted to Directors. Options are exercisable at \$1.50, with 650,000 expiring 1 December 2016. Refer to Note 20 for details of share based payments.

The amount expensed during the period in relation to all options is \$357,821 (2011: \$474,899). This amount has been credited to the Option Reserve.

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, and by joint venture. 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.

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 items recognised as expenses on valuation of employee share options.

Financial assets reserve:

The financial assets reserve records revaluation of financial assets.

OROCOBRE LIMITED and CONTROLLED ENTITIES

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Notes to the Financial Statements for the year ended 30 June 2012

Consolidated Group	
2012	2011
\$	\$

NOTE 16: CASH FLOW INFORMATION

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

Loss from ordinary activities after income tax	(2,994,588)	(1,844,173)
Non-cash flows in loss from ordinary activities:		
Options expense	357,821	474,898
Depreciation	125,279	96,735
Gain on Sale of assets	(9,648)	-
Unrealised foreign exchange gain	182,024	(1,148,270)
Changes in operating assets and liabilities:		
(Increase)/Decrease in receivables	(913,702)	(2,394,278)
(Decrease)/Increase in payables	667,791	(397,385)
(Increase)/Decrease in prepayments	53,993	66,480
Cash flows from operations	(2,531,030)	(5,145,993)

Non-cash Financing and Investing Activities

Share Issues:

During the year 6,135 (2011: 70,570) shares were issued, representing \$10,000 (2011: \$151,596) under a mineral tenement acquisition agreement.

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 19.

During the year, the parent entity engaged Cambridge Business & Corporate Services, an entity controlled by Mr Crawford, company secretary 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 \$144,075 (2011: \$130,900). At balance date an amount of \$6,800 (2011: \$9,350) was owing.

During the year, the parent entity engaged Lithium Investors LLC, an entity associated with Mr Calaway, a director of the parent entity, to provide technical services to the parent entity. Professional fees for the provision of these services for the year totalled \$121,079 (2011: \$163,552). At balance date an amount of \$5,200 was owing (2011: \$5,981).

OROCOBRE LIMITED and CONTROLLED ENTITIES

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Notes to the Financial Statements for the year ended 30 June 2012

Consolidated Group	
2012	2011
\$	\$

NOTE 17: RELATED PARTY TRANSACTIONS (continued)

Other related parties

Elementos Limited, listed on the ASX, is a related party of the Group as Mr Calaway is a director of that company, and Mr Crawford is a company secretary.

During the year, the company was party to a cost reimbursement agreement for services provided to OGL Resources Limited, Elementos Limited, DiamonEx Limited and Coronation Resources Limited. A total of \$11,457 (2011: \$ nil) was received under this agreement from OGL Resources Ltd, a total of \$48,934 (2011: \$149,204) was received under this agreement from Elementos Ltd, a total of \$496 (2011: \$ nil) was received under this agreement from DiamonEx Ltd, and a total of \$25,970 (2011: \$12,389) was received from Coronation Resources Limited. At balance date an amount of \$4,578 (2011: \$ nil) was owing from OGL Resources Limited, an amount of \$nil (2011: \$10,172) was owing from Elementos Limited, an amount of \$496 (2011: \$19,774) was owing from DiamonEx Limited, and an amount of \$2,282 (2010: \$ nil) was owing from Coronation Resources Limited. Mr Crawford is a director of Coronation Resources and DiamonEx Limited.

The parent entity's shareholding in the controlled entities is detailed in note 10. The company also provides finance to its controlled entities.

NOTE 18: COMMITMENTS & CONTINGENCIES

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.

	Consolidated Group	
	2012	2011
	\$	\$
Not later than 1 year	826,953	2,025,787
Later than 1 year but not later than 5 years	1,451,184	2,355,495
Total commitment	2,278,137	4,381,282

Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements, payable:

Not later than 1 year	123,335	99,279
Later than 1 year but not later than 5 years	257,881	-
Total commitment	381,216	99,279

Contract Services

The group has contractual commitments to the Provincial Government of Jujuy and its mining company (JEMSE).

Not later than 1 year	323,739	-
Later than 1 year but not later than 5 years	314,232	-
Total contract services	637,971	-

Contingencies

There were no contingent liabilities at the end of the financial year.

OROCOBRE LIMITED and CONTROLLED ENTITIES

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Notes to the Financial Statements for the year ended 30 June 2012

NOTE 19: KEY MANAGEMENT PERSONNEL COMPENSATION & EQUITY

(a) The names of key management personnel of the entity at any time during the financial year were:

James D. Calaway	Director - Executive Chairman
Richard P. Seville	Director - Executive
Neil F. Stuart	Director - Non-Executive
John W. Gibson	Director - Non-Executive
Courtney Pratt	Director - Non-Executive
Fernando Oris de Roa	Director - Non-Executive
Frederico Nicolson	Director - Non-Executive
Paul A Crawford	Company Secretary

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

(b) Key Management Personnel Compensation

	2012 \$	2011 \$
Short-term employee benefits	987,395	817,837
Post-employment benefits	29,925	28,125
Other long-term benefits	-	-
Share-based payments	169,148	-
	1,186,468	845,962

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

Number of shares held by key management personnel (i)

(c)	No.	No.	No.	No.	No.
2012	Opening Balance	Options Converted	Compensation	Purchased/ (Sold)	Balance 30 June 2012
Directors:					
James D. Calaway	8,454,000	-	-	374,000	8,828,000
Neil F. Stuart	5,622,996	-	-	20,000	5,642,996
Richard P. Seville	4,821,500	-	-	-	4,821,500
John W. Gibson	25,000	-	-	-	25,000
Courtney Pratt	-	-	-	-	-
Ferando Oris de Roa	-	-	-	-	-
Frederico Nicholson	-	-	-	-	-
Other:					
Paul A. Crawford	2,703,685	-	-	-	2,703,685
Total	21,627,181	-	-	394,000	22,021,181
2011	Opening Balance	Options Converted	Compensation	Purchased/ (Sold)	Balance 30 June 2011
Directors:					
James D. Calaway	8,454,000	-	-	-	8,454,000
Neil F. Stuart	5,552,996	-	-	70,000	5,622,996
Richard P. Seville	4,821,500	-	-	-	4,821,500
John W. Gibson	25,000	-	-	-	25,000
Courtney Pratt	-	-	-	-	-
Ferando Oris de Roa	-	-	-	-	-
Frederico Nicholson	-	-	-	-	-
Other:					
Paul A. Crawford	3,055,185	-	-	(351,500)	2,703,685
Total	21,908,681	-	-	(281,500)	21,627,181

(i) Represents shares held directly or indirectly. The company does not issue shares as a form of remuneration.

OROCOBRE LIMITED and CONTROLLED ENTITIES

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Notes to the Financial Statements for the year ended 30 June 2012

NOTE 19: KEY MANAGEMENT PERSONNEL COMPENSATION & EQUITY (continued)

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

Options held by key management personnel during the current financial year were:

2012	Opening Balance	Converted	Compensation	Purchased/ (Sold)	Balance 30 June 2012
Directors:					
James D. Calaway	-	-	150,000	-	150,000
Neil F. Stuart	-	-	100,000	-	100,000
Richard P. Seville	-	-	-	-	-
John W. Gibson	-	-	100,000	-	100,000
Courtney Pratt	-	-	100,000	-	100,000
Frederico Nicholson	-	-	100,000	-	100,000
Ferando Oris de Roa	-	-	100,000	-	100,000
Other:					
Paul A. Crawford	-	-	-	-	-
Total	-	-	650,000	-	650,000

(i) Represents options held directly or indirectly.

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

No options were held by key management personnel during the previous financial year.

NOTE 20: SHARE BASED PAYMENTS

(a) Options

The parent entity had 960,000 share options on issue at the start of the year, 125,000 with an exercise price \$0.375 expiring 31 July 2011, 435,000 with an exercise price \$2.03 expiring 30 June 2013, and 400,000 with an exercise price \$2.03 expiring 30 June 2015.

During the year, 125,000 of these options were exercised.

During the year 650,000 share options were granted pursuant to the company's Employee & Officer Share Option Plan for nil consideration. Options are exercisable at \$1.50 each with 650,000 expiring on 1 December 2016.

All options granted are over ordinary shares, which confer a right of one ordinary share per option. The options hold no voting or dividend rights. At the end of the financial year there are 650,000 options on issue to key management personnel (2011: nil).

Options movements in the year are:

	2012		2011	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	No	\$	No	\$
Outstanding at the beginning of the year	960,000	1.815	525,000	0.375
Granted	650,000	1.500	835,000	2.030
Forfeited	-	-	(75,000)	0.375
Exercised	(125,000)	0.375	(325,000)	0.257
Outstanding at year-end	1,485,000	1.798	960,000	1.815
Exercisable at year-end	635,000	2.030	442,500	1.562

At the date of exercise, the weighted average share price was \$1.845. The options outstanding at 30 June 2012 had a weighted average exercise price of \$2.03 and a weighted average remaining contractual life of 3.0 years.

The weighted average fair value of options granted during the year was \$0.759 (2011: \$0.859).

OROCOBRE LIMITED and CONTROLLED ENTITIES

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**Notes to the Financial Statements
for the year ended 30 June 2012****NOTE 20: SHARE BASED PAYMENTS (continued)**

The fair value of options granted is deemed to represent the value of the employee services received over the vesting period. The fair value of equity settled options is estimated at the date of grant using a binomial option valuation model with the following inputs:

Financial year of Issue	2012	2012	2011	2011
Number Issued	325,000	325,000	435,000	400,000
Fair value at grant date	\$ 0.73	\$ 0.79	\$ 0.84	\$ 0.88
Share price	\$ 1.46	\$ 1.46	\$ 2.17	\$ 2.17
Exercise price	\$ 1.50	\$ 1.50	\$ 2.03	\$ 2.03
Expected volatility	75.00%	75.00%	75.00%	75.00%
Option life	4.0 years	3.0 years	2.0 years	4.0 years
Expected dividends	nil	nil	nil	nil
Risk-free interest rate	4.70%	4.70%	4.70%	4.70%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

(b) Shares

During the year 6,135 shares were issued to third parties as share based payments for the acquisition of exploration assets. The weighted average value of these shares, determined by reference to market price was \$1.63. An amount of \$10,000 has been included in capitalised exploration expenditure for the year, in relation to this share based payment.

During the previous year 70,570 shares were issued to third parties as share based payments for the acquisition of exploration assets. The weighted average value of these shares, determined by reference to market price was \$2.15. An amount of \$151,596 was included in capitalised exploration expenditure for the year, in relation to this share based payment.

NOTE 21: FINANCIAL RISK MANAGEMENT**(a) Financial Risk Management**

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

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

Risk Management Policies

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. There is a minor exposure to price risk through the financial assets. These risks are managed through monitoring of forecast cashflows, interest rates, economic conditions and ensuring adequate funds are available.

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 bank balances.

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

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 primarily funded from equity sources.

OROCOBRE LIMITED and CONTROLLED ENTITIES

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Notes to the Financial Statements for the year ended 30 June 2012

NOTE 21: FINANCIAL RISK MANAGEMENT (continued)

Financial instrument composition and maturity analysis:

	2012 \$	2011 \$
Financial assets:		
Within 12 months		
- cash & cash equivalents	16,480,515	37,678,205
- receivables	284,655	311,264
	<u>16,765,170</u>	<u>37,989,469</u>
1 to 5 Years		
- receivables	<u>2,928,963</u>	<u>2,146,973</u>
Over 5 years		
- shares in listed entity	96,634	269,107
Total	<u>19,790,767</u>	<u>40,405,549</u>
Financial liabilities:		
Within 12 months		
- payables	<u>6,121,186</u>	<u>5,303,703</u>

Net expected inflow on financial instruments within 12 months is \$10,643,984 (2011: \$32,685,766),
1 to 5 years \$2,928,963 (2011: \$2,146,973), over 5 years \$96,634 (2011: \$269,107).

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. The Group does not currently undertake any hedging of foreign currency items. See note 21 (c) for further details.

Credit Risk

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

The group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the group, other than bank balances (Note 7) and the non current receivable (Note 8).

Commodity Price Risk

The Company's prospects and share price will be influenced by the price obtained from time to time for the commodities targeted in its exploration programs, namely lithium chemicals and potash and, to a lesser extent, boron chemicals and other minerals. The prices of such commodities have fluctuated widely in recent years and are affected by factors beyond the control of the Company including, but not limited to, the relationship between global supply and demand for such minerals which may be affected by, among other things, development and commercial acceptance of lithium based applications and technologies and/or the introduction of new technologies that may not be based on lithium, forward selling by producers, the cost of production, new mine developments and mine closures, advances in various production technologies for such minerals and general global economic conditions. The prices of such commodities are also affected by the outlook for inflation, interest rates, currency exchange rates and supply and demand issues, including those resulting from the current global financial crises. Also, major lithium producers may attempt to sell lithium products at artificially low prices in order to drive new entrants out of the market. These factors may have an adverse affect on the Company's exploration and any subsequent development and production activities, as well as its ability to fund its future activities.

(b) Net Fair Values

No financial assets or liabilities are readily traded on organised markets in a standardised form, other than available for sale financial assets.

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**Notes to the Financial Statements
for the year ended 30 June 2012****NOTE 21: FINANCIAL RISK MANAGEMENT (continued)**

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

(c) 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 +/- \$164,805 (2011: \$376,782).

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 +/- \$287,527 (2011: \$206,987).

This exposure arises from Argentine Peso bank accounts and receivables, offset by payables. Net exposure is AR\$13,320,398 (2011: AR\$9,105,085) and equivalent A\$2,875,269 (2011: A\$2,069,874).

At year end, the effect on profit and equity as a result of a 10% change in the United States Dollar, with all other variables remaining constant would be +/- \$428,332 (2011: \$408,855). This exposure arises from a United States Dollar bank account, and a United States Dollar loan agreement with Toyota Tsusho Corporation. Net exposure is US\$4,383,375 (2011: US\$4,383,434) and equivalent A\$4,283,317 (2011: A\$4,088,548).

At year end, the effect on profit and equity as a result of a 10% change in the Canadian Dollar, with all other variables remaining constant would be +/- A\$370 (2011: A\$418). This exposure arises from a Canadian Dollar bank account. Net exposure is CAD3,845 (2011: CAD4,325) and equivalent A\$3,697 (2011: A\$4,178).

(d) Financial Assets

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills, leases, preference shares and derivatives.

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

	Note	Consolidated Group	
		2012	2011
		\$	\$
Financial assets			
Cash and cash equivalents	7	16,480,515	37,678,205
Available-for-sale financial assets:			
- at fair value:			
- listed investments	10	96,634	269,107
Total financial assets		16,577,149	37,947,312
Financial liabilities			
Financial liabilities at amortised cost:			
- trade and other payables	13	6,121,186	5,303,703
Total financial liabilities		6,121,186	5,303,703

OROCOBRE LIMITED and CONTROLLED ENTITIES

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**Notes to the Financial Statements
for the year ended 30 June 2012****NOTE 22: SEGMENT REPORTING**

The economic entity operates internationally, in the mineral exploration industry. The exploration focus is on lithium, potash and salar minerals in Argentina. The economic entity has one reportable segment, being its exploration activity.

In determining operating segments, the entity has had regard to the information and reports the chief operating decision maker uses to make strategic decisions regarding resources. The Chief Executive Officer (CEO) is considered to be the chief operating decision maker and is empowered by the Board of Directors to allocate resources and assess the performance of the economic entity. The CEO assesses and reviews the business using a total exploration activity approach.

Geographical Information

	Australia		Argentina		Economic Entity	
	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$
REVENUE						
Segment revenue	1,535,827	1,307,408	67,119	17,248	1,602,946	1,324,656
ASSETS						
Segment assets	16,374,727	37,451,930	47,977,349	30,663,272	64,352,076	68,115,202
LIABILITIES						
Segment liabilities	5,454,833	4,692,499	666,353	611,204	6,121,186	5,303,703

Segment accounting policies

Segment accounting policies are consistent with those adopted in the annual financial statements of the Group.

NOTE 23: SUBSEQUENT EVENTS

As previously mentioned by the Company in its public announcements, in addition to the active exploration and development program on its Argentine tenements, the Company from time to time reviews other opportunities for resources exploration and development. At the date of signing these financial statements no specific opportunities have been committed to. However the Company is currently assessing a potential acquisition opportunity but there can be no assurance that any transaction will occur.

Since the end of the financial year, the Company has granted 400,000 options to staff under the Employee & Officer Share Option Plan. Options vest progressively over a number of years, are exercisable at \$1.50 and expiring on 30 July 2017.

Subsequent to year-end, in July 2012, following the recommendation of the Expert Committee, the Jujuy Government, through the joint resolution of the Production Minister and Secretary to the Government, approved the development of the Olaroz lithium project. Following receipt of the development approval, the mining leases for the project have been granted.

The financial report was authorised for issue on 17 August 2012 by the Board of Directors.

OROCOBRE LIMITED and CONTROLLED ENTITIES

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**Notes to the Financial Statements
for the year ended 30 June 2012****NOTE 24: PARENT ENTITY INFORMATION**

The following information relates to the parent entity, Orocobre Limited at 30 June 2012. This information has been prepared in accordance with Accounting Standards using consistent accounting policies as presented in note 1. The information is extracted from the books and records of the parent.

	2012 \$	2011 \$
Current assets	16,217,886	37,594,841
Non-current assets	55,914,683	34,626,294
Total assets	72,132,569	72,221,135
Current liabilities	5,454,833	4,692,500
Non-current liabilities	-	-
Total liabilities	5,454,833	4,692,500
Contributed equity	76,029,387	75,960,637
Reserves	610,070	436,597
Accumulated losses	(9,961,721)	(8,868,599)
Total equity	66,677,736	67,528,635
Loss for the year	(1,093,122)	(3,738,644)
Other comprehensive income	(172,473)	81,071
Total comprehensive loss for the year	(1,265,595)	(3,657,573)

Orocobre Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries. The company had no contingent liabilities at year end. As set out in note 18 the Company has an operating lease commitment for \$381,216 (2011: \$99,279).

NOTE 25: CONTROLLED ENTITIES

Sales de Jujuy SA, incorporated in Argentina. The parent entity holds 100% of the ordinary shares of the entity. The company was incorporated in November 2006 and undertakes exploration activity in Argentina. The company changed its name from Orocobre SA in 2010.

South American Salar Minerals Pty Ltd, incorporated in Australia. The parent entity holds 85% of the ordinary shares of the entity. The company was incorporated and acquired in November 2008 and undertakes exploration activity in Argentina.

South American Salar SA, incorporated in Argentina. South American Salar Minerals Pty Ltd holds 100% of the ordinary shares of the entity. The company was incorporated and acquired in December 2008 and undertakes exploration activity in Argentina.

During the financial year two wholly owned subsidiary companies were incorporated in Australia. These companies were established as vehicles to hold potential investments of Orocobre in other acquisition or development assets. To date these companies have been dormant.

NOTE 26: COMPANY DETAILS

The registered office and principal place of business is: Level 1, 349 Coronation Drive Milton, Queensland, 4064, Australia.



Hayes Knight

Accountants, Advisors & Auditors

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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 statement of financial position as at 30 June 2012 and 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for each of the years then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial years.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standards *AASB 101 Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audits. We conducted our audits in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audits to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 of the financial report that gives a true and fair view 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.

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

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

Independence

In conducting our audits, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Orocobre Limited would be in the same terms if given to the directors as at the time of this auditor's report.

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 2012 and 30 June 2011, and of their performance for each of the years ended on those dates; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Orocobre Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

Hayes Knight Audit (Qld) Pty Ltd.

Hayes Knight Audit (Qld) Pty Ltd



A M Robertson
Director

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

Date: 17 August 2012