OROCOBRE

# ANNUAL REPORT 2021

# Orocobre
at a Glance

Orocobre Limited is a dynamic global lithium chemicals supplier and an established producer of boron.

The key assets of Orocobre Limited (**Orocobre**, the **Company**) are a 66.5% interest in Olaroz Lithium Facility (**Olaroz**), 100% of the Cauchari Lithium Project, a 75% economic interest in the Naraha Lithium Hydroxide Plant and 100% of Borax.

## Contents



# Letter from the Chairman and CEO

**FY21 has been one of the most successful ever for Orocobre.**

Despite the ever-present backdrop of COVID-19, FY21 has been a watershed year for Orocobre. We have delivered the best operating results to date and as we write we have now completed a company making merger with Galaxy Resources.

COVID-19 remains a challenge for the whole world, but it has been an occasion for our team to shine. With the collaboration of our employees, we have adapted work practices to allow our businesses to continue operating while keeping employees, their families and communities safe and healthy. With the support and cooperation of government and local health authorities we have started vaccinating our workforce in Argentina.

The operating performance of our business units has been exceptional given the circumstances and at Olaroz we have seen improvement in all key metrics including:

- A record level of battery grade lithium carbonate production, reaching 66% in the last quarter;
- A 6% increase in total production despite COVID related shutdowns;
- A 12% decrease in cost of sales with a strong focus on efficiency; and
- A 14% increase in revenue despite the weak market and pricing conditions at the start of the year.

Importantly, we finish the year with significantly higher prices for our product and the best industry outlook we have seen.

With such a strong market backdrop, it is timely that FY22 should see completion of construction at the 25,000 tonne Olaroz Stage 2 expansion and commissioning of the 10,000 tonne per annum Naraha Lithium Hydroxide Plant in Japan.

In April we announced a merger of equals with Galaxy Resources and with the overwhelming support of Galaxy shareholders we have now completed this merger. This merger provides the combined group a portfolio of world class assets that allow us to partner with the largest and most influential customers that are looking for secure supply of high-quality lithium chemicals.

This merger was never about cutting people or costs to achieve synergies but is based on the complimentary sets of capabilities in the two organisations. We now have teams experienced in both brine and hard rock asset development and an unparalleled pipeline of projects that should see us grow to be the 5th largest producer of lithium chemicals.

As we move into the implementation phase of the merger, we would like to take the opportunity to welcome all Galaxy employees and shareholders to Orocobre.
The merged group will require a new name to reflect the potential synergy and value that comes from combining the two companies. We will soon put to shareholders a change of name to ALLKEM Limited, recognising that together we can achieve more and our focus on battery chemicals.

We would like to acknowledge our employees, management team and Board colleagues for their work through this most challenging but successful year. In particular, we single out our thanks and appreciation to our board colleagues Patricia Martinez, Masaharu Katayama and John Gibson who have retired from the board as part of the merger process. We would also like to thank the communities with whom we operate every day, our joint venture partner Toyota Tsusho Corporation, JOGMEC and Mizuho as well as the National and Provincial governments in Argentina who continue to support us as we grow our business for the benefit of all stakeholders. Finally thank you, our shareholders for your support and encouragement throughout the year.

**Robert Hubbard**
Chairman
August 2021

**Martín Pérez de Solay**
Managing Director and CEO
August 2021

# Sustainability
and Safety

## Sustainability Overview

As a signatory of the UN Global Compact, and in accordance with the UN Sustainable Development Goals, Orocobre seeks to promote the global transition to a low-carbon future, optimise operational performance with respect for people and the environment, and improve the quality of life for local communities.

Orocobre's Sustainability Strategy is based on the understanding that the Company can only grow within the limits set by society and the environment, ensuring stakeholder relationships and respect for local and global environmental issues are factored into the management of the Company's products, operations and communities.

Detailed disclosures regarding Orocobre's Sustainability Strategy and Performance, including Material Issues, Performance Data, Case Studies and Management Approach Disclosures for all Orocobre's Sustainability Focus areas are available at www.orocobre.com/corporate-responsibility/sustainability-report/

**Responsible Product**

To be the supplier of choice for quality chemicals that promote the global transition to a low-carbon economy.

**Sustainable Operations**

To maintain the highest levels of safety, efficiency, and resilience and the lowest operating costs in the industry.

**Thriving Communities**

To cultivate thriving, resilient communities that are autonomous and self-sustaining.

### Climate Risk

Orocobre has identified a series of Climate-related risks and opportunities across our operations and value chain which have been evaluated and integrated into the Enterprise Risk Register. Complete disclosure of our Climate Risks and progress in alignment with the Task Force for Climate Related Disclosures are provided in our Climate Management Approach Disclosure.

### Health and Safety

The health and safety of our employees and contractors remained a priority focus for Orocobre in FY21. Key Health and Safety Indicators across our operations in FY21 are provided below.

| | Sales de Jujuy (Olaroz) | | | Borax | | | Group | | |
|---|---|---|---|---|---|---|---|---|---|
| | Employees | Contractors | Total | Employees | Contractors | Total | Employees | Contractors | Total |
| | | TRIFR | | | TRIFR | | | TRIFR | |
| FY21 | 3.0 | 1.7 | 2.3 | 3.0 | 0.0 | 2.6 | 3.0 | 1.6 | 2.4 |
| FY20 | 1.8 | 3.8 | 3.0 | 8.3 | 14.0 | 8.8 | 4.7 | 4.2 | 4.5 |
| FY19 | 3.3 | 3.3 | 3.3 | 3.8 | 0.0 | 3.4 | 3.5 | 3.1 | 3.3 |
| | | LTIFR | | | LTIFR | | | LTIFR | |
| FY21 | 0 | 0.9 | 0.5 | 3.0 | 0 | 2.6 | 1.2 | 0.8 | 1.0 |
| FY20 | 0 | 3.1 | 1.9 | 3.6 | 14 | 4.4 | 1.6 | 3.6 | 2.5 |
| FY19 | 3.3 | 3.3 | 3.3 | 2.5 | 0 | 2.3 | 2.9 | 3.1 | 3.0 |

TRIFR: number of lost time, medical treatment, restricted work and fatality incidents per million man hours worked
LTIFR: total incidents resulting in lost time by million man hours worked

Detailed information about Orocobre's management of Health and Safety can be found in our Health and Safety Management Approach Disclosure. This will be updated as part of our FY21 Sustainability Report process.

# Operating and Financial Review

## Financial Overview

To assist readers to better understand the financial results of Orocobre, the financial information in this Operating and Financial Review includes non-IFRS unaudited financial information.

Olaroz is operated through Sales de Jujuy (**SDJ**), a 91.5% owned subsidiary of Sales de Jujuy Pte Ltd (**SDJ PTE**), a Singaporean company owned by Orocobre (72.68%) and Toyota Tsusho Corporation (**TTC**, 27.32%). The effective Olaroz equity interest is Orocobre 66.5%, TTC 25.0% and Jujuy Energía y Minería Sociedad del Estado (**JEMSE**) 8.5%.

### Group

The Group produced a net loss after tax of US$89.5 million (2020: US$67.2 million) on revenue of US$84.8 million (2020: US$77.1 million).

The net loss after tax includes US$96.8 million of non-cash items consisting of income tax expense of US$66.1 million, depreciation of US$18.8 million, impairment of US$0.9 million, foreign exchange net loss of US$3.6 million, offset by provision remeasurement of US$3.5 million. Finance net costs during the year were US$21.1 million including US$8.4 million of non-cash charges.

The income tax expense included the impact on deferred tax balances from an increase in the tax rate in Argentina from 25% to 35% (US$49.7 million) and foreign exchange and inflation adjustments (US$25.3 million).

Group EBITDAIX was profit US$2.9 million inclusive of US$2.4 million income from a sale of usufruct and US$3.7 million of restructuring costs, care and maintenance, COVID-19 costs and US$1.2 million of Galaxy merger costs.

The net assets of the Group increased to US$725.1 million as at 30 June 2021 (2020: US$690.6 million), including cash balances of US$258.3 million (2020: US$171.8 million). The main reasons for the increase in net assets is due to the issue of shares of US$119.4 million offset by net loss for the year of US$89.5 million.

Capital expenditure for the year totalled US$97.6 million (2020: US$136.9 million).

| | | Olaroz (100%) | |
|---|---|---|---|
| | Unit of measurement | **2021** | 2020 |
| **Olaroz key operational results for year ended 30 June 2021** | | | |
| Lithium carbonate produced | tonnes | **12,611** | 11,922 |
| Lithium carbonate sold | tonnes | **13,319** | 10,514 |
| Realised lithium carbonate price | US$/tonne | **4,983** | 5,520 |
| Gross cash margin lithium | US$/tonne | **1,123** | 1,148 |
| Cash operating costs lithium carbonate | US$/tonne | **3,860** | 4,372 |

1 'EBITDAIX' is 'Earnings before interest, tax, depreciation and amortisation, impairment, foreign currency gains/(losses), share of associate losses, share of profit of joint ventures, gain and other costs on business combination'.

This measure is non-IFRS financial information and has not been subject to audit by the Company's external auditor.

# Assets
## Overview

# Olaroz Lithium Facility

The Olaroz Lithium Facility is an established producer of sustainable, high-quality brine-based lithium carbonate.

Olaroz hosts a JORC/NI43-101 compliant measured and indicated resource of 6.4 Mt LCE which is capable of sustaining current production for 40-plus years.

The Olaroz Lithium Facility is located in Jujuy Province in northern Argentina, approximately 230 kilometres northwest of the capital city of Jujuy. The operations are at an altitude of 3,900 metres above sea level.

## Olaroz Structure

The Olaroz Lithium Facility is a joint venture between Orocobre (66.5%), Toyota Tsusho Corporation (**TTC**), (25%) and a mining investment company owned by the provincial Government of Jujuy, Jujuy Energía y Minería Sociedad del Estado (**JEMSE**), (8.5%).

TTC has the sole and exclusive rights to market and sell all lithium products from Stages 1 and 2 of the Olaroz Lithium Facility until 2038. The high-level strategy associated with the marketing of product is determined by the Joint Marketing Committee, comprising representatives of both Orocobre and TTC.

## COVID-19

Detailed bio-security protocols continue to be enforced at our operations in accordance with established national and provincial regulations and best practice approaches within the industry.

Daily monitoring of workforce health continues throughout established 14 day rosters that apply to all personnel and include those employees who would normally reside in local communities. Isolation procedures have been developed should personnel become unwell and plans are in place if COVID-19 infections are identified at site. Vaccination of the workforce is currently underway.

## Olaroz Update

The operational strategy for Olaroz during FY21 remained focussed on safety, productivity and quality. At the start of FY22, operations continue to be affected by COVID-19 and at the time of publication of this report the impact over the current financial year remains unclear.

## Safety

During the FY21 year, safety across the group improved significantly with Group LITFR decreasing from 2.5 to 1.0 and Group TRIFR decreasing from 4.5 to 2.4.

SDJ employees maintained their strong safety performance with zero LTIs, however TRIFR did increase over the year. Borax contractor performance improved significantly to also record zero LTIs while employee performance also improved across LTIFR and TRIFR.

Detailed information about Orocobre's management of Health and Safety can be found in our Health and Safety Management Approach Disclosure.

## Quality

Product quality remains a key focus of the operational team. Key metrics such as brine concentration, magnetic particles and product consistency continue to show positive results. The proportion of battery grade production has increased to 48% in FY21, up from 24% in the prior year.

Improved and more stable brine concentration has multiple benefits including higher lithium recoveries, lower cost of production and increased product quality and consistency.

## Productivity and Sales

FY21 production was up 6% on the prior year to 12,611 tonnes. Sales were up 27% to 13,319 tonnes as inventory carried over from the prior year was sold.

Sales revenue for FY21 was US$66.4 million, a 14% increase on the prior year with higher sales volumes but 10% lower average prices mostly impacting in the first half of the year.

Cost of sales was down 12% to US$3,860/tonne due to significantly improved operating metrics and an on-going focus on costs. This cost reduction was achieved despite the material increase in battery grade production.

EBITDAIX for FY21 was US$11.5 million versus US$5.7 million in FY20 despite lower pricing in the first half. The average price received in the second half was up 102% and revenue was up 45% compared to the first half. Gross cash margins recovered from being slightly negative in the first half to US$3,075/tonne (44% margin) in the second half.

Olaroz has continued to develop a mix of contracts with diversity of both geography and market segments. Pricing mechanisms vary within the portfolio as some reprice on a monthly basis and some on a 12 month basis with contract specific benchmarks. As such, average realised pricing will continue to reflect movement in the spot market but on a delayed basis.

Approximately two thirds of FY22 sales will be made under long term contracts with the remaining one third on short term contracts.

## Stage 2 Expansion

Olaroz Stage 2 expansion has been designed to deliver an additional 25,000 tonnes per year of primary grade lithium carbonate production capacity. Approximately 9,500 tonnes of this new production is expected to be utilised as feedstock for the Naraha Lithium Hydroxide Plant.

As at 30 June, approximately US$216 million has been spent excluding VAT, working capital and finance costs. Key areas of expenditure during the year include new wells and associated gathering networks, ponds, site infrastructure, accommodation facilities and most recently the carbonation and soda ash facilities.

During the year work at Olaroz Stage 2 continued with strong adherence to the COVID-19 Bio-Security Protocol. Construction personnel operate in defined teams that work and are accommodated together so as to ensure any COVID-19 infection remains limited. Additional accommodation facilities were completed to allow appropriate separation of personnel with more than 650 people on site by year end.

Stage 2 has been delayed due to COVID-19 restrictions and is now expected to be complete in H1 CY22 and to commence production the following half. Production will ramp up over two years to full capacity of 25ktpa of primary grade lithium carbonate by H2 CY24.

### Carbonation, Lime and Soda Ash Facilities

Carbonate plant soda ash handling facilities commenced construction during the year. Foundations for the soda ash and carbonation buildings are 91% and 65% complete respectively. All of the steel structure for the carbonation and soda ash plants is on site including cladding, roofing and overhead cranes. Overall, the soda ash and carbonation plants are 10% and 14% complete respectively at the end of June.

Planning for liming plant #3 is well underway and contracts have been awarded. This additional liming capacity is expected to be available by the end of the 2021 calendar year.

# **Naraha Lithium**
# Hydroxide Plant

The Naraha Plant, the first of its kind to be built in Japan, is designed to convert industrial grade lithium carbonate feedstock into purified battery grade lithium hydroxide. Feedstock for the 10,000 tonne per annum (**tpa**) Naraha Plant will be sourced from the Olaroz Lithium Facility's Stage 2 Expansion that will produce industrial grade (>99.0% Li CO) lithium carbonate.

Since construction commenced at the Naraha Plant there have been no LTIs recorded with nearly 250,000 hours worked on the project.

At 30 June, approximately US$56.7 million has been spent on engineering, civil works, electrical, instrumentation, fabrication and procurement at the Naraha Plant.

Site operations progressed materially over the year with construction now mostly complete and pre-commissioning works underway.

Commissioning will be delayed until Q1 CY22 due to COVID-19 related delays of travel to site by Veolia's international commissioning engineers and technicians.

Sales of lithium hydroxide will be managed by TTC as exclusive sales agent under a similar joint marketing arrangement to that operating for lithium carbonate from Olaroz. Most of the production is expected to be delivered to the Japanese battery industry.

# The Lithium Market

The lithium market reached a pricing bottom in the September 2020 quarter as certain South American lithium carbonate producers and Australian spodumene producers continued to compete for sales to conversion plants in China while the rest of the world continued to manage the effects of COVID-19 related impacts.

The Chinese lithium carbonate spot prices started to recover during the December 2020 quarter as demand from battery materials producers increased during the second half of 2020 in response to accelerated sales of domestic Electric Vehicles ("EV") with LFP (lithium iron phosphate) battery formats. EV sales in China surpassed 2 million units over the 12 month period ended 30 June 2021 compared to less than a million units in the prior year.

Supply from Chinese domestic lithium carbonate producers failed to meet growing demand as production volumes declined during the cold weather season. This resulted in depletion of lithium carbonate inventories across the supply chain which led to a higher dependency on seaborne carbonate production. Prices continued to increase during the first half of 2021 to more than double those in September 2020.

Global contracted prices for lithium carbonate saw a more gradual and progressive recovery during the first half of 2021 as these prices were adjusted to reflect tightening market conditions across the supply chain.

In Europe, sales during the 12 month period ended 30 June 2021 were more than two million units compared to ~0.75 million in the previous year. The European EV market has a higher percentage of long range EV models with NMC battery formats (nickel, manganese, cobalt). These market dynamics resulted in high growth demand for lithium hydroxide, pushing contracted prices up during first half 2021 price renegotiations.

As global lithium chemical prices increased spodumene contracted prices moved up notably during the June 2021 quarter.

The significant growth in EV sales during the 12 month period of more than five million units, compared to ~2.1 million in the prior year pushed the market into a supply deficit in 2021 despite some disruption due to COVID-19. South American lithium chemicals producers experienced difficulties in logistics supply which affected timing of product dispatch when inventories across the industry were at a low point. Furthermore, delays to lithium expansion projects and development of green field projects from sluggish demand growth in previous years exposed vulnerabilities and limitations in the lithium supply in the face of rapidly growing demand.

The commitment from Government, OEMs, and the Energy Sector to accelerate the development of the lithium battery supply chain grew firmly during the June quarter. Planned global capacity of Gigafactory's is expected to increase by ~460 GWh (12%) to approximately 4,200 GWh by 2030 based on committed investments announced during the June quarter.

New partnerships were established between lithium chemical producers and lithium mineral explorers with the purpose of developing additional supply of lithium chemicals in response to growing demand. Supply forecasts of lithium chemicals have been revised up however continue to fall short of meeting the revised estimates of demand.

# Borax Argentina S.A. (100%)

Borax Argentina S.A. has operated in the Salta-Jujuy region for over 50 years and its operations include two open pit mines, concentrators, refining capacity and significant land holdings. The mining operations are located in Tincalayu and Sijes. The main processing site and office are located at Campo Quijano, Salta.

Borax products are divided into three groups; minerals, refined products and boric acid. The minerals historically produced by Borax are ulexite, colemanite and hydroboracite.

The refined products are comprised of borax decahydrate, borax pentahydrate and borax anhydrous.

**Combined Product Sales Volume Year on Year***

| Financial Year | Combined Product Sales (tonnes) |
|---|---|
| June 2017 | 41,777 |
| June 2018 | 36,553 |
| June 2019 | 44,947 |
| June 2020 | 44,062 |
| **June 2021** | **41,007** |

*Combined product sales volumes include borax chemicals, boric acid and boron minerals.

## Operations

Borax operations have continued under strict COVID-19 bio-security protocols ensuring the on-going safety and health of employees, families and communities.

During the year a material restructuring project was completed that resulted in improved safety performance, lower costs, higher productivity and a smaller workforce. Financial performance has improved materially through an emphasis on business with higher value, more profitable products and the development of products with sound value propositions for customers that have attractive and sustainable financial metrics.

Production rates across the operations have been in line with expectations although sales volume decreased by 6.9% when compared to FY20.

Sales revenue, which is US$ denominated, decreased by 3.4% from the prior year with 3.8% higher average prices offset by lower volumes sold.

EBITDAIX was US$0.9 million profit (2020: US$1.2 million loss) which included US$2.4 million income from a sale of usufruct. The US$2.0 million profit (2020: US$7.2 million loss) included asset rehabilitation provision remeasurement income of US$3.5 million offset by impairment charges of US$0.9 million and foreign currency loss of US$1.3 million.

## Operating Environment

Borax has continued an ongoing strategy to focus predominantly on Southern Cone[1] markets with higher returns. This strategy is driven by the location of Borax, the projected market growth profile of South American markets and the value proposition to customers. Restrictions in the movement of products and services during COVID-19 has further reinforced to our customers the value of local suppliers and as such our marketing strategy will aim to leverage that as much as possible during the coming year.

## Customers

Borax remains the largest South American based boron producer with a wide range of refined products and relatively unique mineral products.

The business continues to provide customers with secure supply of locally manufactured, high-quality boron products and is well positioned to provide value to businesses in South America and to the operations of these companies and other key customers offshore.

1 Southern Cone is a geographic and cultural region composed of the southernmost areas of South America, south of and around the Tropic of Capricorn.

# Directors' Report

## Company Directors

The Company's Directors have significant public company management experience, together with a strong background in exploration, project development, operations management, financial markets, accounting and finance. Their experience covers many industry sectors within Australia and internationally. Further biographical information for the Directors is available on the company website.

**Robert Hubbard**
BA (Hons), FCA

**Non-Executive Chairman**

Robert was appointed a Director in November 2012 and appointed Chairman in July 2016.

Robert was a partner at PricewaterhouseCoopers for over 20 years until 2013 where he served as auditor and adviser for some of Australia's largest resource companies.

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

- Bendigo and Adelaide Bank Limited (Apr 2013 – Present); and
- Healius Limited (December 2014 – Present).

**Martín Pérez de Solay**
(I.ENG)

**Managing Director and Chief Executive Officer**

Martín was appointed to the Orocobre Limited Board as Managing Director on 18 January 2019. At the same time, Martín formally commenced his duties as Chief Executive.

Martín has a career spanning engineering, operational improvement, banking, finance and executive management.

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

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

**Non-Executive Director**

Richard is a mining geologist and geotechnical engineer with over 25 years as either Managing Director or Executive Director of various ASX, TSX or AIM listed companies.

Richard was the founding Managing Director of Orocobre until he stepped down from the position in 2019.

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

- Agrimin Limited—Chairman (August 2019 – Present); and
- Oz Minerals (November 2019 – Present).

**Patricia Martinez**
MBA, BBA

**Non-Executive Director**

Patricia was appointed to the Board of Orocobre in December 2020. She is an executive leader with over 20-years' experience, bringing a wealth of talent from the Energy and Oil and Gas services sectors. Patricia retains an executive role as President, Latin America and Chief Energy Transition Officer with Enerflex, a Canada based energy services company.

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

**Fernando Oris de Roa**
MPA, Harvard Kennedy School of Government

**Non-Executive Director**

Fernando was appointed a Director in June 2010. Fernando is a highly successful business leader with a history of developing and operating large enterprises within Argentina and has a reputation for upholding integrity and social responsibility in his business practices.

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

**John W. Gibson, Jr.**
BSc Geology, MSc Geology

**Non-Executive Director**

John was appointed a Director in March 2010. John is a recognized leader in the technology, environmental, and energy sectors with more than 30 years of global energy experience.

John currently serves as Chairman and CEO of Flotek Industries (NYSE: FTK).

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

**Leanne Heywood**
BBUS MBA CPA AICD

**Non-Executive Director**

Leanne was appointed a Director in September 2016. Leanne is an executive and leader with over 25 years corporate experience in the mining sector. Her experience includes strategic marketing, business finance and compliance and she has led organisational restructures, disposals and acquisitions.

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

- Midway Limited (March 2019 – Present); and
- Quickstep Holdings Limited (February 2019 – Present).

**Masaharu Katayama**
BA (ME)

**Non-Executive Director**

Masaharu was appointed a Director in April 2018 following the strategic placement of Orocobre Limited shares to Toyota Tsusho Corporation (TTC), under the terms of which TTC is entitled to appoint a representative to the Orocobre Limited Board of Directors.

Masaharu's experience includes risk management, resource development and marketing strategy development

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

## Company Secretaries

**Neil Kaplan**
BAcc, CA

**Chief Financial Officer and Joint Company Secretary**

Neil joined Orocobre Limited and was appointed Chief Financial Officer in January 2013 and Company Secretary in July 2013. Neil is a Chartered Accountant and brings a wealth of knowledge to the Company with over 25 years of experience in managerial and finance positions obtained on four different continents.

**Rick Anthon**
BA LLB

**Corporate Development Manager, General Counsel and Joint Company Secretary**

Rick joined Orocobre Limited in 2015. Rick is a lawyer with over 30 years' experience in both corporate and commercial law practicing exclusively in the resource sector.

## 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 19 formal Board meetings. The Board and Committee meetings attended by each Director were:

| | Board | | Audit and Risk Committee | | People and Governance Committee | | Related Party Committee | | Sustainability Committee | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Directors** | **Meetings** | **Attendance** | **Meetings** | **Attendance** | **Meetings** | **Attendance** | **Meetings** | **Attendance** | **Meetings** | **Attendance** |
| Martín Pérez de Solay | 19 | 19 | - | - | - | - | - | - | - | - |
| Richard Seville | 19 | 18 | - | - | 1 | 1 | 6 | 6 | 4 | 4 |
| John Gibson | 19 | 19 | 7 | 7 | - | - | 6 | 5 | 4 | 3 |
| Fernando Oris de Roa | 19 | 19 | 5 | 4 | 4 | 4 | 6 | 6 | - | - |
| Federico Nicholson[1] | 9 | 9 | - | - | 2 | 2 | 4 | 4 | 2 | 2 |
| Masaharu Katayama | 19 | 17 | - | - | - | - | - | - | - | - |
| Patricia Martinez[1] | 10 | 10 | 2 | 2 | - | - | 2 | 2 | 2 | 2 |
| Robert Hubbard | 19 | 19 | - | - | 3 | 3 | 6 | 6 | 3 | 1 |
| Leanne Heywood | 19 | 18 | 7 | 7 | 4 | 4 | 6 | 5 | - | - |

## Committee Membership

At the date of this report the Company has an Audit and Risk Committee, a People and Governance Committee, Related Party Committee and a Sustainability Committee. Members are as follows:

| Audit and Risk Committee | People and Governance Committee | Related Party Committee | Sustainability Committee |
|---|---|---|---|
| Leanne Heywood (c) | Fernando Oris de Roa (c) | Robert Hubbard (c) | Richard Seville (c) |
| Fernando Oris de Roa[2] | Richard Seville[4] | Richard Seville | Patricia Martinez[6] |
| John Gibson | Leanne Heywood | John Gibson | John Gibson |
| Patricia Martinez[7] | Robert Hubbard[5] | Fernando Oris de Roa | Robert Hubbard[5] |
| | Federico Nicholson[3] | Patricia Martinez | Federico Nicholson[3] |
| | | Leanne Heywood | |
| | | Federico Nicholson[3] | |

(c) Designated the Chair of the committee.

1. Federico Nicholson resigned on 30 November 2020, Patricia Martinez was appointed on 1 December 2020
2. Fernando Oris de Roa retired 1 April 2021
3. Federico Nicholson resigned 30 November 2020
4. Richard Seville was appointed 1 April 2021
5. Robert Hubbard retired on 1 April 2021
6. Patricia Martinez joined 1 March 2021
7. Patricia Martinez was appointed 1 April 2021

## Dividends

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

## Indemnification of Officers

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

## Indemnification of Auditors

The Company's auditor is Ernst & Young. The Company has agreed with Ernst & Young, as part of its terms of engagement, to indemnify Ernst & Young against certain liabilities to third parties arising from the audit engagement. The indemnity does not extend to any liability resulting from a negligent, wrongful or wilful act or omission by Ernst & Young. During the financial year, the Company has not paid any premium in respect to any insurance for Ernst & Young or a body corporate related to Ernst & Young and there were no officers of the Company who were former partners or Directors of Ernst & Young, whilst Ernst & Young conducted audits of the Company.

## Principal Activities

The principal activities of the Group during the year were the exploration, development and production of lithium at the Company's flagship Olaroz Lithium Facility and the operation of Borax.

## Operating and Financial Review

The operations, financial position, business strategies and prospects for future financial years of the consolidated entity are detailed in the Operating and Financial Review section of this Annual Report, on pages 5 to 11, and in the Financial Report section, on pages 41 to 81.

## Significant Changes in the State of Affairs

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

## Significant Events after Balance Sheet Date

On 19 April 2021 Orocobre Limited and Galaxy Resources Ltd (ASX: GXY) (**Galaxy**) announced that the two companies had entered into a binding Merger Implementation Deed under which the two companies will merge via a Galaxy Scheme of Arrangement (**Scheme**) pursuant to which Orocobre will acquire 100% of the shares in Galaxy.

On implementation, Galaxy shareholders will receive 0.569 Orocobre shares for each Galaxy share held as consideration, and Galaxy will become a wholly owned subsidiary of Orocobre.

Subsequent to 30 June 2021, the Scheme was approved by the Galaxy shareholders on 6 August 2021. The Supreme Court of Western Australia approved the Scheme on 13 August 2021 whereupon the Court orders were lodged with the Australian Securities and Investment Commission on 16 August 2021 and remaining conditions precedent were satisfied. The implementation date and acquisition date will be 25 August 2021. As the scheme of arrangement will only be implemented on 25 August 2021, the acquisition date fair value of the share consideration and provisional purchase price accounting has not been completed at the date of this financial report.

Prior to 30 June 2021, Orocobre entered into contractual arrangements for AU$7.5 million for the facilitation of the merger transaction. Payment of these costs were contingent on the successful completion of the merger.

The financial effects of the merger transaction and merger transaction costs have not been recognised at 30 June 2021. The operating results and assets and liabilities of Galaxy will be consolidated from the acquisition date of 25 August 2021.

Other than disclosed above, there were no significant events occurring after balance date.

## Likely Developments and Expected Results

Refer to the Operating and Financial Review for information on likely developments and future prospects of the Group.

## Risk Management

The Orocobre Risk Management Framework has been formulated for the purposes of:

- Defining the scope of risk management activities;
- Providing a prioritised approach by focusing on material risks and their controls;
- Establishing roles and responsibilities in relation to risk management;
- Articulating the processes involved to create risk management consistency; and
- Providing relevant guidance and tools relating to risk.

The framework is based on the principles of the ISO 31000 Standard for Risk Management which contributes to ensuring that risk and assurance activities are continually adding value to the business activities of Orocobre and supporting the delivery of projects.

The Orocobre Chief Financial Officer acts as the custodian of Risk Management and carries out an annual review of this framework with the CEO and Management team, in conjunction with other relevant stakeholders, to ensure that all components are still appropriate, in line with industry practice, and improvement opportunities are reviewed. Independent assurance, if required, may be provided by external audit as instructed by the Board. Based on any review undertaken, the Risk Management Framework will be updated to incorporate any reasonable recommendations.

The Risk Management Framework applies to Orocobre's entire business, including all operations and internal functions, outsourced and contracted services, Orocobre projects including its role in Joint Ventures, its own projects and one-off activities.

This review focusses on risks that are 'material' as defined by the Orocobre risk management framework. The principles, methodology and processes can be applied to risks that do not meet the criteria set for 'material'. Whilst not mandated, managers are encouraged to apply the framework beyond material risks.

It should be noted that Orocobre has established a number of other policies relating to risk, their control and mitigation which should be considered in conjunction with this framework. A number of these policies are published in the 'Corporate Governance' section of the company's external website.

## Materiality

The Board defines the term 'materiality' recognising that financial measures are not the only criteria used but includes in its determination non-financial criteria that are important to the achievement of Corporate objectives such as health, safety and environmental impacts, and the reputation of Orocobre.

To this extent the Board's determination of 'material' has recognised the different stakeholders in Orocobre and their expectation of the business. This has been factored into the process of setting relevant risk ratings and establishing an escalation threshold.

As an entity listed on the Australian Securities Exchange (ASX), Orocobre also takes into consideration the specific requirements under relevant listing rules, particularly with regard to assisting the Board, CEO and Management with discharging obligations under Principles 4 and 7 of the ASX Principles of Good Corporate Governance and Best Practice Recommendations.

The determination of a risk being considered 'material' sets the scope for all risk management activities—analysis, control, assurance and reporting—for Orocobre. Specifically, materiality criteria determine:

- Which risks need to be included in a respective risk register;
- Where management oversight is required;
- When the risk needs to be reported and to whom; and,
- At what management level in the organisation risk acceptance has to occur.

In this sense risk 'materiality' should not be confused with or be viewed as a statement of Orocobre's risk tolerance or acceptance.

## Risk Tolerance

The concept of risk tolerance arises in deciding whether or not a risk is acceptable to Orocobre. Where it is determined that a risk reported to a particular management level is not acceptable, then consideration will be given to further risk mitigation. This may be achieved by risk reduction measures, risk transfer or risk avoidance (or a combination of the three). Ultimately the level of risk retention by Orocobre is subject to a conscious and informed decision-making process.

The Board's risk tolerance utilises the Materiality definition. This means that in practice every 'material' risk has to be referred to the Audit and Risk Committee for its review and acceptance. The Audit and Risk Committee assumes delegated authority on behalf of the Board to review and accept 'material' risks reported to it by the CEO and Management.

In many areas of Orocobre's operations, laws and regulations state the tolerable level of residual risk (e.g. to the safety of individuals and/or communities). Where such a regulatory requirement exists, it becomes the criterion of maximum tolerable risk level for that particular risk.

Further information on risk management is available in the Risk Management Approach Disclosure.

| Risk | Description | Mitigation Operational Risks |
|---|---|---|
| **Operational Risks** | | |
| Event on site — operational or natural disaster | Damage or destruction of plant or other physical assets. | Preventative maintenance programmes covering plant and all installations are established. Specific maintenance regimes are set for all natural gas related processes. Critical spares are kept on site and Engineering representatives undertake site inspections and auditing. Appropriate insurance is in place. Crisis management planning and training is undertaken by each site. |
| COVID-19 | Disruption to business from COVID-19. Global pandemic causes widespread disruption to operations, logistics and markets. | Management committees were enacted to allow a rapid and flexible response to issues as they arose. A strict Bio-security Protocol was enacted to allow a progressive return to normal operations. Board briefings/meetings increased to allow more effective monitoring and action on issues as they arise. Site operations were modified to allow on-going production. Administrative/corporate personnel work from home to allow continuity of function without exposure to infection. |
| Operations fail to meet required targets | Failure of plants to achieve performance targets such as production volumes or product quality. | Olaroz continues a significant program of pond expansion and modification of pond operations to ensure improved consistency of feed to the plant and increased production capacity. Material progress has been made on process stability and efficiency with dedicated resources. Product quality and consistency continues to improve with more consistent brine feedstock. Dedicated quality control resources have been engaged. |
| Adverse weather | Series of short-term/sudden events or longer-term weather patterns having an adverse impact on production in terms of cost and/or quality of product. | At Olaroz pond management practices have been modified to reduce the impact of dilution with rain and low evaporation events. Pond capacity is being increased with the addition of Stage 2 ponds. Additional reagent storage has been established. At Borax, stockpiles of finished and intermediate products reduce weather impacts. |
| Delivery of Stage 2 expansion | Project execution failing to deliver Stage 2 within time and budget and to set performance targets. | Performance warranties with key contractors will be established for major equipment. Owners team will monitor EPCM contract delivery, contingencies have been established. Supervision has been increased to ensure an effective interface between Stage 1 and 2. Cost control mechanisms are in place to ensure competitive tendering for project packages. |
| Delivery of LiOH plant | Project execution failing to deliver LiOH Plant within time and budget and to set performance targets (e.g., quality, quantity or pricing). | TTC manage the delivery of this project with input from Orocobre technical personnel. Strong governance and reporting practices have been established. A Technical oversight committee of Orocobre and TTC personnel is in place. Performance guarantees are in place with Veolia, the primary construction contractor. |
| Resource performance | Actual resource performance in terms of quality and quantity deviates from modelled and assumed parameters for mine lifecycle. | Resources are assessed in accordance with JORC requirements. Further drilling will enhance understanding of the deposit and allow more accurate assessment of resource size and quality for on-going and increased production. High quality hydrogeological resources are in place. |
| Viability of Borax or operational issue becoming material | Inability to achieve and maintain the viability of Borax's operations and performance. | There has been significant focus on costs and efficiencies at Borax over a number of years leading to record low unit cost of production. A significant restructuring was undertaken to improve the viability of the business during FY21. The product offering has been enhanced and refocused to ensure maximum profitability. Assessment of operations has determined no material issues are likely to exist at Borax sites. Remediation plans are in place to reduce the footprint of major Borax sites. Stability of ponds and waste piles has been re-assessed. |
| **Strategic/Financial Risks** | | |
| Inability to attract a skilled local workforce or loss of key management personnel | Failure to attract and retain adequate technical, operational and plant management skills in local workforce impacting on performance or the loss of key management personnel creating gaps in knowledge, experience or relationships. | At Orocobre, talent management is a priority: we have plans and processes in place to attract good talent and develop our employees, ensuring a diverse and inclusive work environment. There is a special focus on hiring talent from local communities. The company provides competitive and fair total remuneration packages, a safe workplace and a commitment to strong corporate values. There are also non-poaching agreements with neighbouring companies. |

| Risk | Description | Mitigation Operational Risks |
|---|---|---|
| Exchange rate/ currency control risk | Adverse fluctuation of US$ versus Argentinian Peso versus basis for forecasting/risk of repatriation of shareholder loans and dividends. | A bit over half of Olaroz costs and 100% of revenue are US$ based providing a natural hedge. Inflation within Argentina and devaluation of the Peso tend to cancel each other out over time. Currency controls limit some currency mitigating factors and may in the future limit the ability to repatriate shareholder loans and/or dividends from SDJ. |
| Joint venture alignment | Joint Venture effectiveness compromised by goals of ORE and TTC (as substantial shareholder and Joint Venture partner) becoming materially misaligned. | TTC have a director on the Orocobre Board and a number of personnel with the Olaroz operations to ensure strong communication of requirements. In addition, joint venture board meetings ensure alignment of strategy. |
| Fraud, corruption or misconduct | Actual or alleged fraudulent or corrupt actions involving company assets. Contravention of Orocobre Code of Conduct creating reputational and other issues. | Group wide policies address Anti-corruption and Fraud, plus a Code of Conduct defines required business standards and ethics for the entire workforce. Contravention of these policies can result in disciplinary action or dismissal. An Internal audit program and resource has been implemented. A Whistle-blower policy and process has been established which requires notifications to be investigated and reported to the Audit and Risk Committee. |
| Supply chain disruption | Providers of critical services to operations (including export) being disrupted e.g. by industrial action. | Key dependencies have been identified and stockpiles of materials established where appropriate. Alternative suppliers and supply routes have been identified (and at times — utilised). |
| Optimisation of assets | Inability to progress Olaroz beyond Stage 2. | Appropriate permits and agreements with communities and government are maintained. Agreements are in place with neighbours to allow development of the Olaroz resource. Resource definition work will further enhance the understanding and potential for development. |
| Intellectual property or contractual risk | Loss of or failure to protect commercially sensitive information or loss of value through deficient legal analysis of contracts. | IT specialists have been engaged to provide digital security. External audits and penetration testing is undertaken periodically. Further work is underway to develop enterprise wide technology solutions. Legal review before contract or agreements execution policy assures Company's rights protection. |
| Failure to meet Continuous Disclosure obligations | A market sensitive issue is not disclosed in a timely manner. | Potential disclosure issues are monitored by the joint Company Secretaries and the Chief Investor Relations Officer. The Board considers disclosure at the end of each meeting. Regular management meetings allow free flow of information within the team to ensure timely preparation and disclosure of market sensitive information. |
| Demand for electric vehicles or the substitution of lithium | Demand for electric vehicles doesn't materialise as predicted or lithium is replaced as the optimal component of battery cells. | The company undertakes continuous monitoring and research into alternative technologies and to date there is no indication of a viable and cost-effective alternative to lithium batteries. EV demand is expected to continue to grow through regulation and the financial support of progressive global governments. |
| **Sustainability, Safety, Environmental Risks** | | |
| On site health and safety | Orocobre's actions or in-actions put the safety of staff, contractors or authorised members of the public at risk. | Intelex and SICOP systems have been implemented. Root Cause Investigations are undertaken for recordable and high potential events to avoid recurrence. External inspection (regulator) and some specific audits (e.g. facilities or equipment) are undertaken as necessary. H&S Risk Committees have been implemented along with process safety risk assessments and Management of Change. |
| Climate change risk | Orocobre operations experience adverse (or positive) impacts due to climate change (either direct or indirect). | Orocobre has undertaken a climate risk assessment which will help determine further actions necessary to adapt the business to climate change. Areas being considered are operations, supply chain, communities, products and markets, and resource efficiency. Further information can be found in the Sustainability Report, Climate Management Approach Disclosure and Climate Change Statement on the company's website. |
| Human rights/ modern slavery | Orocobre operations are exposed to human rights or modern slavery through its supply chain. | An initial human rights assessment been conducted. The first phase assessed contextual issues and is now complete. Several workshops were deployed among management to ensure proper acknowledgement on this topic. |

| Risk | Description | Mitigation Operational Risks |
|---|---|---|
| **Regulatory/Political Risks** | | |
| Government and community relations | Actual or perceived concerns affect Orocobre's 'social licence' to operate which is challenged by national or local government or community members. | Existing government relationships have been built over many years of interaction. Community relationships are supported by the company's Shared Value program and on-going engagement by the company's Community team. The company follows a policy of employing and purchasing locally where possible and provides material capacity building functions for local communities. |
| Political risk in Argentina | Changes in the Argentinian political, regulatory or fiscal framework impacting on Orocobre. | Continuous engagement between key management/directors and government at National and Provincial levels actively mitigate this risk. Ongoing engagement will ensure these relationships continue. JEMSE as the local partner of Sales de Jujuy has been effective in engaging with government on key issues. |
| Mining properties | Loss of title to mining properties due to unfulfillment of Mining Code obligations: canon payment, filing and compliance of minimum required investment plan. | An internal program has been established to ensure compliance with required permits and obligations. Periodic reviews are conducted by management. |
| **Lithium Markets** | | |
| Ineffective marketing of product | Lack of recourses and experience of marketing personnel creating suboptimal marketing outcomes. | Orocobre has established joint marketing rights with TTC for Olaroz production and has dedicated resources working with TTC. Orocobre conducts strategic marketing research to better focus marketing and product innovation efforts. Significant efforts have been undertaken to broaden the customer base and lengthen average contract life. Product qualification with new customers is on-going. |
| Product price risk | Adverse fluctuation of Lithium price in the market versus basis for forecasting. | A focus on multi-year contracts and a mix of pricing mechanisms will diffuse product price risk. Increased customer mix will help with different geographies, industries etc. This strategy continues to be implemented. |
| **Sustainability Opportunities** | | |
| Further financial support of a low carbon economy | Access to private and public and private funds to assist with R&D, production upgrades, and investment in low carbon / water technologies. | |
| Deployment of renewable energy, energy storage and EVs leading to increased demand for Orocobre's lithium products | Resulting from:<br>• A ramp up in political ambition to meet the goals of the Paris Agreement;<br>• Delivery of existing policies and current rates of technological innovation;<br>• Renewable energy and battery storage decreasing costs and increasing grid penetration; and<br>• Increasing penetration of electric vehicles supported by policy-driven low carbon transition and achieved cost parity with fossil fuelled vehicles. | |
| Changes in precipitation patterns and extreme variability in weather patterns leading to increased evaporation at Olaroz | Increased evaporation driven by climate change may potentially increase the productivity of the evaporation process and contribute to increased production. | |

# Environmental Regulation and Performance

The Company has operations in two provinces in Argentina, Jujuy and Salta.

Section 41 and 124 of National Constitution, Mining Code Law No. 1919 as amended by Environmental Protection Law for Mining Activity Federal No. 24.585, and General Environmental Law No. 25.675 and National Hazardous Waste Law are applicable to mining activity within all of Argentina.

In Salta there are Provincial and National environmental regulations: Provincial Constitution (art. 30, 81, 82 y 83), Environmental Protection Provincial Law No. 7070 and Provincial Decree No 3097/00 and 1587/03, Law No. 7017 of Waters Code of Salta Province and its regulatory decree No. 1502/00, 2299/03, among others, Provincial Law No 7141 of the Mining Procedure Code. The applicable authority in Salta is the Mining Secretary of the Province of Salta and the Environmental Secretary of the Province of Salta.

In Jujuy there are both Provincial and National environmental regulations: Provincial Constitution (art.22); Water Code of Jujuy, Law No. 3820; Wildlife Reserve of Fauna & Flora, Decree No. 6002; Dangerous Residues Regulation, Decree No. 5772-P-2010 and Provincial Environmental Law No. 5063. The applicable authority in Jujuy is the Provincial Department of Mining and Energy Resources (**Dirección Provincial de Minería y Recursos Energéticos**).

There have been no reportable environmental events under the regulations in Jujuy or Salta due to the Company's activities. There were three minor non-reportable issues in Jujuy, with no material or enduring environmental impact. These are a 19,080-litre waste spill by a supplier (at Route 52, Km. 46); a 800-litre fuel spill and a 300-litre fuel spill by a supplier (both at Olaroz). Remediation actions were undertaken.

Within its' operations in Argentina, the Company has instituted ISO 31000, Risk Management. This complements ISO 9001, Quality Assurance, ISO 14001 Environmental Management and OHSAS 18001 Occupational Health and Safety Management System was implemented in FY12. Borax is accredited under ISO 9001 and ISO 14001 plus SALTA ECOSELLO regarding environmental management.

## Non-Audit Services

The Group's auditor, Ernst & Young, did not undertake any non-audit services for Orocobre during the current or prior year.

## Rounding of Amounts

The amounts contained in this report and in the financial statements have been rounded to the nearest thousand dollars unless otherwise stated (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191. The Company is an entity to which the instrument applies.

## Auditor Independence

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

## Verification of Reports

Orocobre undertakes internal verification of all reporting and announcements other than financial reporting that is verified by the Company's auditors. The internal verification process involved a review of all relevant reports or announcements by the executive management team and where appropriate the Board of Directors. This process ensures that all information released in the public domain is accurate and correct.

## Internal Audit

The Company has a formal internal audit function which was implemented in November 2020. The Internal Audit and Assurance Function provides independent assurance over the governance, compliance and internal control system and processes across the business.

The Audit Committee review activities undertaken by the Company and Whistle-blower referrals and investigations.

# Remuneration Report
## Letter from the Chair

### Dear Shareholder

Welcome to the FY21 remuneration report. The current year has been like no other with unprecedented adversity but for Orocobre the year has been an amazing success. Through all of the external challenges the business has remained true to our core values and standards.

During the year we have completed our first Modern Slavery Report and a further Sustainability Report in which we have demonstrated our commitment to the environment, gender diversity, equality and the high ethical standards that are core to our culture. In FY22, and as part of the merger integration, we will undertake a review of governance within our organisation and will report to shareholders upon the completion of that work.

Our industry is gearing up for the global adoption of electric vehicles, stationary storage and other initiatives as we collectively move to limit climate change and remove carbon from our economies. This is driving demand for qualified and knowledgeable personnel, the likes of which we have been fostering and training within our organisation since our inception.

This competition for talent means that we must ensure our remuneration practices are attractive and fair. In addition, we must provide training and personal development options, encourage a strong culture that is collegiate and supportive. Strong and clear leadership with open communication also encourages individual engagement and loyalty. These are the core elements of remuneration practices that nurture a positive culture.

The best of the Orocobre culture was on display throughout the year as we responded to the COVID-19 crisis. Our executive team achieved the majority of the goals that they were set by the Board and this is reflected in their short-term incentive awards.

However, we also saw innovation as our teams adapted work practices and employees demonstrated amazing flexibility to allow our operations to continue while keeping our employees, their families and local communities healthy and safe. This extraordinary performance deserves recognition and the People and Governance Committee has approved a modest compensation package for those employees who were involved. It should be noted this is not a cash payment but will be in the form of Performance Rights with a one year vesting period and does not include any Key Management Personnel. The grant was made to 82 employees and 139,500 Performance Rights were issued in total.

The merger with Galaxy Resources Limited will materially change the profile of the Group going forward and it is an appropriate time for the new Board to review the short-term incentive (STI) and long-term incentive (LTI) programs. This work is underway and will be finalised following the completion of the merger.

In closing, we finish this year differently to the last couple of years with much improved product pricing and industry dynamics. We have worked hard on our remuneration practices to ensure alignment between compensation and shareholder interests, so it is pleasing to see the share price appreciation that will deliver rewards to both our shareholders and employees.

**Fernando Oris de Roa**
Chairman, People and Governance Committee

# Remuneration Report (audited)

This Remuneration Report outlines the overall remuneration strategy, framework and practices adopted by the Company. This report forms part of the Directors' Report and unless otherwise indicated, has been audited in accordance with Section 308 (3C) of the *Corporations Act 2001*.

In addition to the statutory requirements, additional sections summarising remuneration for the year ended 30 June 2021 have been included where appropriate.

At the most recent Annual General Meeting held on 13 November 2020, 76.82% of votes cast at the meeting were in favour of the adoption of the Remuneration Report. Orocobre Limited (the **Company** or **Orocobre**) did not receive any specific feedback at the AGM or throughout the year on its remuneration practices. In addition, all resolutions related to the remuneration of our Managing Director and CEO (**MD/CEO**) were passed resoundingly.

Orocobre's Remuneration Report is divided into the following sections:

A. Directors and Executives

B. Role of the People & Governance Committee

C. Remuneration Framework

D. Relationship of incentives to Orocobre's Operating and Financial Performance

E. Take home pay

F. Service agreements

G. Details of Remuneration

H. Share-based compensation issued to Executive KMP

I. Shareholdings of Non-Executive Directors and Executive KMP

J. Additional statutory information

Remuneration information for KMP is reported in US Dollars (US$) (consistent with the remainder of the report) although the contractual arrangements are in Australian Dollars (AU$) for KMP other than the MD/CEO whose contractual arrangement is in US Dollars (US$).

## A. Directors and Executives

In addition to the Non-Executive Directors, Executive KMP are members of the leadership team who have the authority and responsibility for planning, directing, and controlling the activities of Orocobre, directly or indirectly, during the year ended 30 June 2021.

KMP of the Company for the financial year ended 30 June 2021 are as follows:

| Name | Position | |
|---|---|---|
| Robert Hubbard | Non-Executive Chairman | Appointed Chairman July 2016 (Director November 2012) |
| Fernando Oris de Roa | Non-Executive Deputy Chairman | Appointed Deputy Chairman April 2021 (Director June 2010) |
| Martín Pérez de Solay | Managing Director & Chief Executive Officer (MD/CEO) | Appointed January 2019 |
| Richard Seville | Non-Executive Director | Appointed January 2019 |
| John Gibson | Non-Executive Director | Appointed March 2010 |
| Federico Nicholson | Non-Executive Director | Appointed September 2010 (Resigned November 2020) |
| Leanne Heywood | Non-Executive Director | Appointed September 2016 |
| Masaharu Katayama | Non-Executive Director | Appointed April 2018 |
| Patricia Martinez | Non-Executive Director | Appointed December 2020 |
| Neil Kaplan | Chief Financial Officer (CFO)/ Joint Company Secretary | Employed January 2013 |

## B. Role of the People and Governance Committee

The People and Governance Committee is comprised of Independent Non-Executive Directors. The membership of the committee for FY21 comprised Federico Oris de Roa—Committee Chair (assuming the role from Robert Hubbard in July 2020), Leanne Heywood, Robert Hubbard (until his resignation from the committee in April 2021), Richard Seville (from his appointment to the committee in April 2021) and Federico Nicholson (until his resignation effective 30 November 2020). This membership retains the relationship to the Argentina-centric executive team and the continued operating environment imposed by COVID-19. We continue to believe that the expanded scope and responsibilities of this committee is aligned with the prioritisation of talent as a strategic asset for our organisation.

The People and Governance Committee's role and interaction with the Board, internal and external advisors, is determined by its Charter and in reference to the Orocobre Remuneration Policy.

The People and Governance Committee operates under the delegated authority of the Board. The Board reviews, applies judgment and, as appropriate, approves the People and Governance Committee's recommendations. The People and Governance Committee is able to source internal resources and to obtain independent professional advice it considers necessary to enable it to make recommendations to the Board on the following matters relevant to remuneration and performance measurement:

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

For each annual remuneration review cycle, the People and Governance Committee considers whether to appoint a remuneration consultant and, if so, their scope of work. During the year the remuneration consultant Korn Ferry was engaged to provide recommendations on the long-term incentive plan.

The following arrangements were made to ensure the recommendations were free from undue influence from the KMP:

- Korn Ferry was engaged directly by the People and Governance Committee; and
- The report containing the remuneration recommendations was provided directly to the People and Governance Committee.

As such, the Board is satisfied that the remuneration recommendations were made free from undue influence from any members of the KMP to who the recommendations relate to. Korn Ferry was paid US$34,000 (2020: nil) for remuneration related services.

The Committee is responsible for reviewing aspects of people management including:

- Organisational health including corporate culture, values, compliance with the Code of Conduct, performance measurement and management;
- Executive talent review and succession planning;
- Diversity, including gender, cultural and cognitive diversity at Board, Executive Management, Management and general workforce levels;
- Matters referred to the Committee by other Committees of the Board and related to people management issues; and
- Monitoring of key performance indicators.

The Committee is also responsible for corporate governance matters referred to it by the Board with specific reference to:

- Board and committee performance evaluation;
- Recommendations on election and re-election of Directors;
- Board succession planning and recruitment;
- Assessment of independence of Directors;
- Evaluation of Board and committee composition including skills, tenure and diversity; and
- Engagement of consultants for the purposes of the above aspects of people management.

## C. Remuneration Framework

Remuneration is determined in accordance with the Orocobre Remuneration Policy which provides that the People and Governance Committee will ensure that the remuneration practices:

- Attract, engage and retain talented employees;
- Motivate Directors and Management to pursue the long-term growth and success of the Group within an appropriate control framework; and
- Demonstrate a clear relationship between key executive performance and remuneration.

# Remuneration Report (audited)

Under section 4, the Policy also states that:

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

The People and Governance Committee has once again undertaken an evaluation of its remuneration practices to ensure it remains contemporary and meets the objectives set out above and endeavours to adopt a fair and equitable approach to all remuneration decisions, mindful of the complexities of retaining and motivating an experienced team operating across diverse geographies, different time zones and in a complex operating environment. The approach has been as relevant this year as it was in FY20 which was unique in all our corporate experience. The Committee has necessarily responded in the application of the Orocobre remuneration practices. Examples of the demands placed on management and the Board have been:

- Operating in Argentina's continued lockdowns and waves of COVID-19 requiring self-isolation and remote working whilst maintaining the Orocobre Bio-security Protocols and continuous communication with authorities and communities. Despite these constraints, maintaining forward momentum on safety performance, Stage 2 Expansion, reductions in costs and improving operating performance;
- Responding to the fiscal and economic challenges being experienced by Argentina characterised by strict foreign currency controls, severe devaluation and rampant inflation; and
- Falling lithium prices in an oversupplied market for the first half of FY21 whilst pivoting quickly to respond to unprecedented demand in the second half of FY21.

In applying our philosophy this year, we have considered many variables including:

- The remuneration paid by the Group's peers (by reference to industry, market capitalisation and relevant geographic location), although we consider contemporary benchmarks are less reliable in volatile times and more bespoke approaches are required;
- The Group's performance over the relevant period, acknowledging those aspects within management control and those exogenous to our operations;
- How to link remuneration to successful implementation of the Group's strategy, including the targets which need to be achieved to implement that strategy and the changes to those targets arising from COVID-19 and in particular the health and wellbeing of our employees and communities;
- How to link remuneration to the progress towards a successful execution of the merger transaction with Galaxy Resources Limited which encompasses focus from management, whilst ensuring operations and expansion continue;
- Internal relativities and differentiation of pay based on performance;
- The demands placed on certain executives to work considerable periods of time in lock down, operating remotely and the extraordinary time outside normal working hours;
- The size, scale, location and complexity of the operations of the Group; and
- Competition for talent in Argentina with the expansion, construction and development of other lithium brine projects in Argentina and a major development approaching completion in the adjacent Salar.

### Non-Executive Directors

The maximum aggregate remuneration of Non-Executive Directors is determined by the shareholders at a general meeting. The current aggregate fee pool is AU$850,000 (US$633,761) (2020: AU$850,000 (US$571,948)) which was established and approved at the 2017 AGM.

Non-Executive Director fees last increased in January 2018 and despite being lower than many peer companies the Board committed in FY20 that no increase would be made until Orocobre's financial performance or scale of operations warrants such an increase. The composition of the Board and Non-Executive Director fees will be re-evaluated following completion of the merger with Galaxy Resources Limited. In addition to the ongoing developments and operations of the Group, the Board committed significant time and effort overseeing the merger transaction.

Fernando Oris de Roa was appointed as Deputy Chairman to the Board on 1 April 2021 as the relationship to the Argentine based MD/CEO and continued operating environment imposed by COVID-19 required an increased suite of responsibilities and time commitment from our Argentina based Non-Executive Director. Fernando is paid fees of AU$20,000 per annum in addition to his Non-Executive Director fee.

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

The Non-Executive Directors do not participate in the Performance Rights and Option Plan (PROP) in accordance with ASX Corporate Governance guidelines.

A Non-Executive Director Share Rights Plan (**NED SRP**) was approved at the 2019 AGM. The NED SRP was introduced to support Non-Executive Directors in building their shareholdings in the Company and as a means of enhancing the alignment of interests between Non-Executive Directors and shareholders generally. The current Non-Executive Directors generally have shareholdings commensurate with their fees and tenure. As of 30 June 2021, the NED SRP has yet to be formally implemented by the Board, however it remains our preferred mechanism for directors to accumulate shares and attract future directors.

**Annualised fees (including Superannuation) are as follows:**

| | 30 June 2021 | | 30 June 2020 | |
|---|---|---|---|---|
| | **US$[1]** | **AU$** | **US$[1]** | **AU$** |
| **Position—Non-Executive Directors** | | | | |
| Chairman | **139,800** | **187,500** | 126,165 | 187,500 |
| Deputy Chairman[2] | **89,472** | **120,000** | - | - |
| Other Non-Executive Directors | **74,560** | **100,000** | 67,288 | 100,000 |

1 Average exchange rates as at date of payment used for the conversion from AU$ to US$ are as follows:
July 2020 – June 2021—1 US$: 1.3412 AU$
July 2019 – June 2020—1 US$: 1.4862 AU$

2 Deputy Chairman appointed 1 April 2021

## Managing Director and Other Executive KMP

Orocobre intends to provide an appropriate mix of remuneration components balanced between fixed and 'at risk' components, taking into account current strategic priorities and competition for skills by peer companies.

The planned remuneration and composition can be illustrated as follows:

| | Fixed Remuneration | | STI | | LTI | |
|---|---|---|---|---|---|---|
| **Name/Position** | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 |
| **Managing Director/CEO** | | | | | | |
| Martín Pérez de Solay (MD/CEO) | **50%** | 46% | **18%** | 24% | **32%** | 30% |
| **Other Executives** | | | | | | |
| Neil Kaplan (CFO) | **44%** | 44% | **12%** | 12% | **44%** | 44% |

| | Fixed Remuneration | | STI | | LTI | | Total Remuneration | |
|---|---|---|---|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 |
| **Name/Position** | **US$[1]** | US$[1] | **US$** | US$ | **US$** | US$ | **US$** | US$ |
| **Managing Director/CEO** | | | | | | | | |
| Martín Pérez de Solay (MD/CEO)[2] | **700,000** | 700,000 | **250,000** | 375,000 | **450,000** | 450,000 | **1,400,000** | 1,525,000 |
| **Other Executives** | | | | | | | | |
| Neil Kaplan (CFO) | **351,409** | 316,088 | **99,920** | 89,683 | **351,409** | 316,088 | **802,738** | 721,859 |

1 Average exchange rates as at date of payment used for the conversion from AU$ to US$ are as follows:

July 2020 – June 2021—1 US$: 1.3412 AU$

July 2019 – June 2020—1 US$: 1.4862 AU$

2 The MD/CEO, Martín Pérez de Solay's FY20 STI represented 1.5 years target.

# Remuneration Report (audited)

### Fixed remuneration

There have been no increases in KMP fixed remuneration during FY21.

### Short-Term Incentives (STIs)

For all Executive KMP the maximum STI in FY21 was US$349,920 or a maximum of 36% (MD/CEO) and 30% (other Executive KMP) of base salary. There were no increases in the maximum STI percentage in FY21 for the MD/CEO, the CFO or other executives and management not considered KMP. This substantively reflects the strategic corporate objectives of Orocobre and the transformational projects that are continuing within the business for the next few years. The advantage to the company is that the management remain appropriately incentivised to deliver key growth projects, but these increases are not locked into fixed remuneration. The People and Governance Committee is of the view that when these projects are successfully delivered and the value is reflected in the business, then fixed remuneration should be reassessed.

The STI targets reflect a balance of organisational and individual goals, following consideration of behavioural gateways to STI eligibility. These gateways include promotion of the Orocobre code of conduct and values. Collectively the executive team is assessed on the sustainability, operational and financial performance of the Group. The Group maintained its strong focus on sustainability, particularly in the environment, community and social arenas. We continue to explore the incorporation of individual sustainability goals into STI assessments but to date consider team based goals remain more appropriate given the pervasive nature of these aspects and the programme of work set out in our Sustainability Report.

The Board consider operational performance has improved throughout the year at both Borax and Olaroz. The restructuring initiatives at Borax have seen improved production performance, reduced costs and a return to break even profit performance in a benign price environment. Olaroz continued to improve operating efficiency, reducing unit costs despite the twofold increase in battery grade production. Together with improved prices in the second half this drove a much improved profit performance.

Individual goals in the assessment of the STI include items such as safety, successful implementation of the Olaroz expansion, delivery of the Naraha lithium hydroxide project, specific sales and marketing improvements and business growth initiatives, efficient management of related party shareholders' interests and stakeholder relationships. Individual executive goals are all defined and measurable. The award of STIs based on achievement of these individual goals is also viewed in the context of the overall operating and financial performance of Orocobre.

Performance against the annual business plan and budget have been considered in the controllable areas of production, quality, unit cost and sustainability goals in relation to safety, environment and social performance.

Whilst not specifically included in this years STI awards it should be acknowledged that the executive team have been measured against goals established with the FY21 budget. In the second half of FY21, the merger with Galaxy was a significant focus and demanded an extraordinary time commitment from management and the Board. The STI goals have been substantially achieved despite this valuable distraction. This commitment and the benefits of the merger have not been specifically included in the assessment of the FY21 STI, however it is intended to consider additional rewards and retention mechanisms due to the successful completion of the merger in FY22.

Specific KMP goals and commentary for FY21 were as follows:

| | FY21 |
|---|---|
| Safety | Successful maintenance of COVID-19 Bio-security Protocols and initial roll out of vaccinations. |
| Quality | All product produced and sold during the period met customer chemical quality specifications, however a few packaging integrity claims were recorded which were rapidly resolved by the team. |
| Productivity | Production was up 6% from previous year with battery grade production of 48% compared with 24% in FY20, despite COVID-19 shutdowns and a weak lithium market for the 1H FY21 that required operation of the plant at lower rates to match demand.<br>Brine production and pond management were fully operational throughout the year despite COVID-19 restrictions.<br>Logistics across Provincial and National borders were successfully resolved and the majority of customer shipments were fulfilled. |
| Growth | Goals for FY21 were also reconsidered due to the changing operating environment and need for focus on the significant risk to operations should there be a significant outbreak of COVID-19 cases on site.<br>The development and implementation of the Orocobre Bio-security Protocols has generally been successful to date allowing continued operations at Olaroz and Borax, significantly reducing the financial implications of COVID-19 and preserving shareholder value.<br>A focus on the two growth projects being Expansion at Olaroz and the Naraha LIOH plant advanced.<br>During the year, a strategic exercise was undertaken by the management team to focus on planning to ensure the company vision is being fulfilled. This focused on the production and processing elements of the vision. |

### Managing Director and CEO STI

The MD/CEO's KPI's for the FY21 were assessed at 85% achievement.

| | Max Target | Achievement % |
|---|---|---|
| Safety Indicators | 20% | 18% |
| Productivity and cost reduction | 20% | 20% |
| Quality | 20% | 17% |
| Growth initiatives—Stage 2 Expansion and Naraha | 20% | 12% |
| Transition (stakeholder engagement, management capability, culture, values and communication) | 10% | 8% |
| Qualitative (decisiveness, engaging for impact, agile and adaptive, delivering reliability) | 10% | 10% |
| **Total** | **100%** | **85%** |

The CFO's STI KPIs for the FY21 were assessed at 78% achievement.

| | Max Target | Achievement % |
|---|---|---|
| Continue with Cost Reduction initiatives and result in cost per tonne (ASX reporting) of <$4,000/mt | 20% | 20% |
| Prime Plant & Energy Systems agreement completion and finalisation of a Multi-Year Contract, enhance marketing performance by improving average pricing quarter on quarter, working with teams to ensure the right mix and specifications are sold the customer by ensuring production and sales are functioning together | 10% | 5% |
| Develop and lead Financial and Planning teams both in Australia and Argentina | 10% | 5% |
| Maintain a healthy cash position at corporate level while ensuring funds availability to support growth projects | 20% | 20% |
| Achieve Orocobre's EBITDA[1] target | 40% | 28% |
| **Total** | **100%** | **78%** |

1 'EBITDA' is 'Earnings before interest, tax, depreciation and amortisation.'

# Remuneration Report (audited)

| Position | FY | STI Opportunity US$[1,2] | STI Opportunity % of FR | STI Accrued/Paid US$[1,2] | % Achieved | % Forfeited |
|---|---|---|---|---|---|---|
| Martín Pérez de Solay (MD/CEO)[3] | **2021** | **250,000** | **36%** | **212,500** | **85%** | **15%** |
| | 2020 | 375,000 | 54% | 275,000 | 73% | 27% |
| Neil Kaplan (CFO) | **2021** | **99,920** | **30%** | **77,937** | **78%** | **22%** |
| | 2020 | 89,683 | 30% | 60,984 | 68% | 32% |

1 Average exchange rates as at date of payment used for the conversion from AU$ to US$ are as follows:
July 2020 – June 2021—1 US$: 1.3412 AU$
July 2019 – June 2020—1 US$: 1.4862 AU$

2 Based on salary excluding Superannuation contributions (where applicable).

3 The MD/CEO, Martín Pérez de Solay's FY20 STI represented 1.5 years target.

### STI FY22

The newly constituted board of the merged group will review and determine revised remuneration packages for the CEO and CFO in the first quarter of FY 22. These packages will aim to be both market relevant, reward achievement of the merger goals and act to retain the key executives seen as instrumental to the merger's success. One element of this will include revised target STIs and STI goals commensurate with the expanded suite of operations, growth projects and the effective integration of the merger.

### Long-Term Incentives (LTIs)

For FY21, the Company provided the LTI to Executive KMP, and the MD/CEO whose LTI is required to be approved by shareholders through the PROP. This plan was approved by shareholders at the 2019 Annual General Meeting. There are no options outstanding at 30 June 2021.

During FY21 work commenced with Korn Ferry to assess the current PROP. This work now needs to reflect the impact of the merger, the growing size and complexity of the Group, the merger business plan and the increased responsibilities of the KMP.

The LTI is subject to the terms and conditions of the approved Orocobre PROP. These are available on the Orocobre website at Performance Rights and Option Plan.

The objective of the grant of Performance Rights (PRs) is to provide an incentive to Executive KMP which promotes both the long-term performance and growth of the Group and encourages the retention of the Company's executives and the attraction of new executives to the Company.

The tables in Section H provide details of LTI grants to Executive KMP as well as detailing the vesting periods and lapsing of Performance Rights.

The following table summarises the key features of the Performance Rights issued to the executive KMP for the year ended 30 June 2021:

| **Performance Rights** | |
|---|---|
| Description | It is a contemporary risk equity long-term incentive plan which allows the Company to provide Performance Rights to eligible and invited employees, subject to the terms of the plan. Performance Rights are supported by the Orocobre Employee Share Scheme Trust which has been established to facilitate and manage the issue or acquisition of shares on the settlement of vested Rights, if any. |
| Grant date | **The Rights were granted on 17 December 2020 for the 2021 financial year.** |
| Measurement period/ Exercise price | There is a 3-year vesting period which commenced on 31 August 2020.<br>The vesting date for the performance rights is the later of 31 August 2023 or date of release of the Group's financial results for the 2023 financial year. Vesting of the 2021 Performance Rights are subject to the matrix of outcomes. The shares acquired on vesting of Performance Rights, if any, will be at no cost to the KMP providing they meet the conditions.<br>Whether the Company settles Rights from a new issue or by on-market purchase will usually be determined by the Board, at the time of vesting and exercise. |
| Performance hurdles | Total Shareholder Return (TSR) has been chosen as the performance hurdles for each grant. 50% are tested on an Absolute TSR hurdle and 50% on a Relative TSR hurdle. These have been chosen to align KMP remuneration to sustainable, long-term shareholder value. |
| | **Absolute TSR**<br>(TSR performance over the Measurement Period) subject to meeting the following compound annual rate thresholds):<br>Greater than 12.5%: 100%<br>Between 10% and 12.5%: 75%<br>Between 7.5% and 10%: 50%<br>Less than 7.5%: 0%<br>Interpolated vesting on a straight line where the return per annum is between 7.5% and 12.5%.<br><br>**Relative TSR**<br>(TSR performance over the Measurement Period relative to the constituent companies of the ASX300 Resources Index) subject to the following percentile thresholds:<br>Greater than 75th: 100%<br>Between 50th and 75th: 50%<br>Less than 50th: 0%<br>Interpolated vesting on a straight line between the 50th and 75th percentile. |
| Retesting | Performance conditions will be tested at the vesting date and if the performance conditions have not been met, the Rights will lapse.<br>No retesting of the performance hurdles will be performed under the plan. |
| Forfeited | Unless the Board otherwise determines, the Rights will lapse on the earlier of:<br>1. The cessation of the employment of the participant.<br>2. The vesting conditions are not achieved or are incapable of being achieved by the participant.<br>3. The Board determines that the vesting conditions have not been met prior to the expiry date.<br>4. The expiry date (last exercise date). |
| Dividends | Performance Rights are not entitled to dividends or other distributions. Shares acquired on vesting and exercise of Performance Rights will be ordinary securities and entitled to dividends, if any. No dividends apply before vesting and exercise. |
| Restrictions | Participants cannot secure, mortgage or create a lien in respect of their interests in PROP.<br>All Executive KMP have been advised that under section 206J of the Corporations Act it is an offence for them to hedge unvested grants made under the PROP. |
| Change of Control | A Change of Control occurs when the Board advises Participants that one or more persons acting in concert have acquired, or are likely to imminently acquire "control" of the Company, as defined in section 50AA of the Corporations Act.<br>In the event of a change of control of Company, the Board has discretion to determine that vesting of all or some of the Rights should be accelerated. If a change of control occurs before the Board has exercised its discretion, a pro rata portion of the Rights and Options will vest, calculated based on the portion of the relevant performance period that has elapsed up to the change of control, and the Board retains a discretion to determine if the remaining Rights and Options will vest or lapse. |
| Dilution | The issue of shares under the PROP can have a small dilutionary impact. Currently, the number of Performance Rights or Options granted under this Plan must not exceed, when aggregated with any shares issued during the previous 12 months pursuant to any other employee share scheme operated by the Company, a maximum of 15% of the total issued capital of the Group at the time of the grant, excluding unregulated offers. Offers made, that rely on Listing Rule 7.1 (effective from November 2019) will not exceed 15% of shares on issue as a result of any offers made during the previous 3-year period. |

# Remuneration Report (audited)

The performance conditions applicable to each grant are summarised as follows:

| TSR Hurdle: Absolute (50% of LTI Grant) | | FY21 results | TSR Hurdle: Relative (50% of LTI Grant) | | FY21 results |
|---|---|---|---|---|---|
| TSR performance over the Measurement Period and subject to meeting the following compound annual rate thresholds: | | | TSR performance over the Measurement Period relative to the constituent companies of the ASX300 Resources Index subject to the following thresholds: | | |
| **Target return per annum** | **% Vesting** | **% Achieved 2018 PR** | **Target percentile** | **% Vesting** | **% Achieved 2018 PR** |
| Greater than 12.5% | 100% | 2018 starting share price is AU$3.944[1] | Greater than 75th | 100% | Per Independent Third-Party calculation, 21.2nd percentile was achieved |
| Greater than 10.0% | 75% | | Equal to or greater than 50th | 50% | |
| At least 7.5% | 50% | 31 August 2020 closing share price is AU$2.600 | Less than 50th | 0% | |
| Less than 7.5% | 0% | | | | |
| **2018 Performance Rights absolute share price return per annum is -13.0%** | | **Achieved: 0%** | **Interpolated vesting on a straight line between the 50th and 75th percentile.** | | **Achieved: 0%** |

1 The starting position for the Absolute TSR Hurdle is the VWAP of the shares for the 5 day period immediately following the release of the 2017 Annual Report: AU$3.944

Long-term equity incentive grants to selected key executives, including Executive KMP, are considered on an annual basis. They are subject to a three-year performance period. The value granted of LTI grants are calculated on a set percentage of fixed remuneration.

| Name/Position | FY | Number of PRs granted[1] | Face value[2] AU$ | Face value[3] US$ | Fair Value of LTI Granted during the year[4] US$ |
|---|---|---|---|---|---|
| Martín Pérez de Solay (MD/CEO)[5] | **2021** | **228,649** | **603,540** | **450,000** | **332,993** |
| | 2020 | 360,337 | 1,337,535 | 900,000 | 297,760 |
| Neil Kaplan (CFO) | **2021** | **174,036** | **471,310** | **351,409** | **452,241** |
| | 2020 | 199,490 | 469,754 | 316,088 | 189,928 |

1 The 2021 number of PRs granted is equal to the LTI value divided by the Company's 5 day VWAP of the Company's Shares of AU$2.696 for the period immediately following the release of the 2020 results.

2 Face value represents the LTI amount achieved used to calculate the number of PRs granted.

3 Converted at the same average rate consistent with other tables

4 The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of awards granted during the year as part of remuneration. More information is available in section H.

5 In FY19 Martín Pérez de Solay was entitled to 87,524 PRs at a VWAP of AU$4.520 based on the closing price of the Company's Shares at 12 November 2019. The PRs were not granted as they required shareholder's approval at the AGM in November 2019. The PRs granted in FY20 represent the PRs approved by shareholders in relation to both FY19 and FY20 remuneration.

### MD/CEO Commencement and Retention Rights

In FY19, in terms of his employment agreement the MD/CEO was offered Commencement and Retention Rights (CRR) partly in recognition of incentives forgone.

Tranche 1—US$250,000 of CRRs vesting and based on the share price on the first anniversary of employment with Orocobre.
Tranche 2—US$250,000 of CRRs vesting and based on the share price on the second anniversary of employment with Orocobre.

In the first two years of employment unvested CRRs will vest in full in the event of a change of control, or in the event of redundancy, loss of employment due to death and disability, or termination by Orocobre other than for cause.

On 12 November 2019, the first anniversary of employment, 132,818 Ordinary Shares were issued from Tranche 1 based on the share price of US$1.882 (AU$2.749).

On 12 November 2020, the second anniversary of employment, 114,516 Ordinary Shares were issued from Tranche 2 based on the share price of US$2.183 (AU$2.987).

| | FY | Number of CRRs granted | Face value | Fair Value of CRRs Granted during the year |
|---|---|---|---|---|
| | | | US$ | US$ |
| Martín Pérez de Solay (MD/CEO) | **2021** | **114,516** | **250,000** | **250,000** |
| | 2020 | 132,818 | 250,000 | 250,000 |

## D. Relationship of incentives to Orocobre's Operating and Financial Performance

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

In FY21, individual goals are also viewed in the context of the overall operating and financial performance of Orocobre. Performance against the annual business plan and budget has been considered in the broad areas of Safety, Productivity, Quality and Growth as well as against EBITDA.

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

| | Fixed remuneration | | At risk—STI | | Fixed—LTI[1] | | At risk—LTI | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 |
| **Name/Position** | **%** | % | **%** | % | **%** | % | **%** | % | **%** | % |
| CEO/Managing Director | | | | | | | | | | |
| Martín Pérez de Solay (MD/CEO) | **60%** | 47% | **18%** | 18% | **4%** | 29% | **17%** | 6% | **100%** | 100% |
| Other executive KMP | | | | | | | | | | |
| Neil Kaplan (CFO) | **53%** | 57% | **11%** | 10% | **0%** | 0% | **36%** | 33% | **100%** | 100% |

1 The Fixed LTI remuneration relates to the CRRs issued to the CEO.

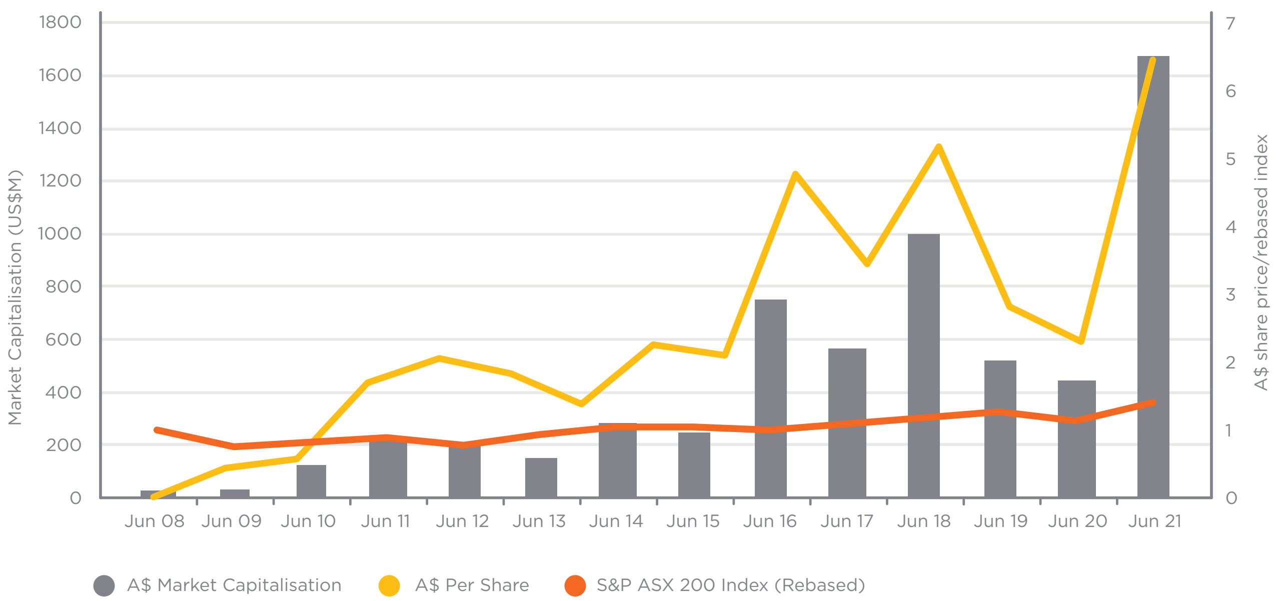
# Remuneration Report (audited)

We aim to align our executive remuneration to our strategic and business objectives and the creation of shareholder wealth. The table below shows measures of the Group's financial performance over the last five years as required by the *Corporations Act 2001*. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMP. Therefore, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

| Financial year | 2017 | 2018 | 2019 | 2020 | **2021** |
|---|---|---|---|---|---|
| Share price—AU$ per share—at 30 June | 3.47 | 5.17 | 2.82 | 2.31 | **6.47** |
| Market capitalisation (US$ million)—at 30 June | 562 | 1,348 | 516 | 440 | **1,670** |
| Basic Earnings / (Loss) Per Share (EPS) (US cents) | 9.19 | 0.83 | 20.90 | (19.64) | **(18.02)** |
| Profit/(Loss) (US$'000) | 19,439 | 1,920 | 54,586 | (67,159) | **(89,474)** |
| S&P ASX 200 | 5722 | 6195 | 6619 | 5898 | **7313** |

The graph below shows the complete historical movement in the share price and market capitalisation against the evolution of the ASX 200 Index.

**Orocobre Limited Historical Share Price, Market Capitalization and S&P ASX 200 Index (Rebased):**



## E. Take home pay (non-IFRS)

The table below has not been prepared in accordance with accounting standards but has been provided to ensure shareholders are able to clearly understand the remuneration outcomes for Executive KMP. Executive remuneration outcomes, which are prepared in accordance with the accounting standards, are provided in Section G.

The remuneration outcomes identified in the table were paid/payable in relation to FY21, and are linked to the Group performance described in Section D. The actual STI is dependent on Orocobre and individual performance as described in Section C.

The actual vesting of the LTI is dependent on Orocobre's performance and the outcomes are further described in Section H.

| | Fixed Remuneration[1] | STI[2] | LTI Vested[3] | Actual FY21 Remuneration outcome |
|---|---|---|---|---|
| | US$ | US$ | US$ | US$ |
| Martín Pérez de Solay (MD/CEO) | 700,000 | 212,500 | 250,000 | 1,162,500 |
| Neil Kaplan (CFO) | 351,409 | 77,937 | - | 429,346 |

1 Fixed Remuneration comprises base salary and Superannuation contributions.

2 FY21 STI which will be paid in September 2021.

3 Represents Tranche 2 of the MD/CEO, Martín Pérez de Solay's CRRs vested and exercised during the FY21.

## F. Service Agreements

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

| Name/Position | Term of Agreement | Notice Period by either Party | Termination Benefit |
|---|---|---|---|
| Martin Perez de Solay (MD/CEO) | Open | 9 months | 9 months fixed remuneration |
| Neil Kaplan (CFO) | Open | 6 months | 6 months fixed remuneration |

Terms of agreement and associated benefits were agreed at the time the Executive KMP commenced with Orocobre or upon promotion. Termination benefits are voided and no incentives are eligible to vest when termination arises due to breach of agreement, serious misconduct, criminal offence or negligence.

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

# Remuneration Report (audited)

## G. Details of Remuneration

Details of the nature and amount of each major element of the remuneration of each KMP is as follows:

| | | Short-Term Employee Benefits | | | | Post-Employment Benefits | Long-Term Employee Benefits | Equity Settled Options | |
|---|---|---|---|---|---|---|---|---|---|
| | | Directors' Fees/Base Salary | Annual Leave Movement | Short Term Incentive[1] | Non-monetary Benefits | Super-annuation | Long Service Leave | Share-based Payments[2] | Total Remuneration |
| Name | | US$ | US$ | US$ | US$ | US$ | US$ | US$ | US$ |
| **Non-Executive Directors** | | | | | | | | | |
| Robert Hubbard | **2021** | **131,562** | **-** | **-** | **-** | **9,117** | **-** | **-** | **140,679** |
| | 2020 | 105,096 | - | - | - | 14,060 | - | - | 119,156 |
| Fernando Oris de Roa | **2021** | **78,826** | **-** | **-** | **-** | **-** | **-** | **-** | **78,826** |
| | 2020 | 66,821 | - | - | - | - | - | - | 66,821 |
| Richard Seville | **2021** | **68,519** | **-** | **-** | **-** | **6,509** | **-** | **-** | **75,028** |
| | 2020 | 61,046 | - | - | - | 5,775 | - | - | 66,821 |
| John Gibson | **2021** | **75,028** | **-** | **-** | **-** | **-** | **-** | **-** | **75,028** |
| | 2020 | 66,821 | - | - | - | - | - | - | 66,821 |
| Federico Nicholson (Resigned 30 November 2020) | **2021** | **30,547** | **-** | **-** | **-** | **-** | **-** | **-** | **30,547** |
| | 2020 | 66,821 | - | - | - | - | - | - | 66,821 |
| Leanne Heywood | **2021** | **68,519** | **-** | **-** | **-** | **6,509** | **-** | **-** | **75,028** |
| | 2020 | 61,046 | - | - | - | 5,775 | - | - | 66,821 |
| Masaharu Katayama | **2021** | **75,028** | **-** | **-** | **-** | **-** | **-** | **-** | **75,028** |
| | 2020 | 66,821 | - | - | - | - | - | - | 66,821 |
| Patricia Martinez (Appointed 1 December 2020) | **2021** | **44,482** | **-** | **-** | **-** | **-** | **-** | **-** | **44,482** |
| | 2020 | - | - | - | - | - | - | - | - |
| **Total Non-Executive Directors** | **2021** | **572,511** | **-** | **-** | **-** | **22,135** | **-** | **-** | **594,646** |
| | 2020 | 494,472 | - | - | - | 25,610 | - | - | 520,082 |
| **Managing Director/CEO** | | | | | | | | | |
| Martín Pérez de Solay (MD/CEO) | **2021** | **700,000** | **19,008** | **212,500** | **-** | **-** | **-** | **258,640** | **1,190,148** |
| | 2020 | 700,000 | 30,563 | 275,000 | - | - | (7,655) | 546,967 | 1,544,875 |
| **Other Executive KMP** | | | | | | | | | |
| Neil Kaplan (CFO) | **2021** | **333,066** | **5,645** | **77,937** | **19,560** | **18,343** | **6,094** | **254,844** | **715,489** |
| | 2020 | 298,944 | 12,944 | 60,984 | 12,406 | 17,144 | 6,201 | 204,496 | 613,119 |
| **Total Managing Director and Other Exec. KMP** | **2021** | **1,033,066** | **24,653** | **290,437** | **19,560** | **18,343** | **6,094** | **513,484** | **1,905,637** |
| | 2020 | 998,944 | 43,507 | 335,984 | 12,406 | 17,144 | (1,454) | 751,463 | 2,157,994 |

Average exchange rates as at date of payment used for the conversion from AU$ to US$ are as follows:

July 2020—June 2021—1 US$: 1.3412 AU$

July 2019—June 2020—1 US$: 1.4862 AU$

1 For the breakdown of the Short-term Incentives, please see Section C for details.

2 The value for Equity Settled Performance Rights presented in the table above is calculated in accordance with AASB 2 *Share-based Payment* and represents instruments granted under the LTI equity plans that have been expensed during the current year. The fair values of the LTIs have been calculated by an independent third party.

## H. Share-based compensation issues to the Executive KMP

The table below highlights the movement in Performance Rights for the Executive KMP in FY21.

| | Grant Date | Vesting financial year | Balance at 1 July 2020 | Movement during the year: Rights granted | Rights exercised[1] | Rights lapsed | Balance at 30 June 2021 | Unvested at 30 June 2021[4] | Maximum value yet to vest[5] |
|---|---|---|---|---|---|---|---|---|---|
| Martín Pérez de Solay (MD/CEO) | 22/11/2019 | 2022 | 87,524 | - | - | - | **87,524** | **87,524** | **2,344** |
| | 12/11/2020 | 2021 | - | 114,516 | (114,516) | - | **-** | **-** | **-** |
| | 11/03/2020 | 2023 | 272,813 | - | - | - | **272,813** | **272,813** | **115,597** |
| | 13/11/2020 | 2024 | - | 228,649 | - | - | **228,649** | **228,649** | **247,737** |
| | 13/11/2020 | 2022 | - | 38,108 | - | - | **38,108** | **38,108** | **-** |
| | **Total Number** | | **360,337** | **381,273** | **(114,516)** | **-** | **627,094** | **627,094** | |
| | **Total value US$[2,3]** | | **327,499** | **657,993** | **(250,000)** | **-** | **759,709** | **759,709** | |
| Neil Kaplan (CFO) | **2/03/2018** | 2021 | 108,278 | - | - | (108,278) | **-** | **-** | **-** |
| | 11/06/2019 | 2022 | 107,477 | - | - | - | **107,477** | **107,477** | **6,566** |
| | 11/03/2020 | 2023 | 199,490 | - | - | - | **199,490** | **199,490** | **84,529** |
| | 17/12/2020 | 2024 | - | 174,036 | - | - | **174,036** | **174,036** | **323,726** |
| | 21/09/2020 | 2022 | - | 32,423 | - | - | **32,423** | **32,423** | **-** |
| | **Total Number** | | **415,245** | **206,459** | **-** | **(108,278)** | **513,426** | **513,426** | |
| | **Total value US$[2,3]** | | **648,038** | **516,052** | **-** | **(366,287)** | **849,308** | **849,308** | |

1 Performance Rights exercised during the current financial year at a nil exercise price.

2 Total value in US$ is based on grant date fair value, not current market value. The value at grant date reflects the fair value of the PR multiplied by the number of PRs granted during the period converted using the exchange rate at the date of grant.

3 The fair values of long-term incentives have been calculated by an independent third-party valuer.

4 All PRs become exercisable upon the vesting date. There are no vested and exercisable PRs as at 30 June 2021.

5 The maximum value of the PRs yet to vest has been determined as the amount of the grant date fair value that is yet to be expensed at 30 June 2021. The minimum value of PRs yet to vest is nil, as they will be forfeited if the vesting conditions are not met.

# Remuneration Report (audited)

The tables below summarises the details of the grants and assumptions that were used in determining the fair value of Performance Rights on the grant date. A Monte Carlo Simulation is used to value the Performance Rights.

| Input Variable | | | | | | |
|---|---|---|---|---|---|---|
| Grant Date | 11/06/19 | 11/06/19 | 22/11/19 | 22/11/19 | 11/03/20 | 11/03/20 |
| Vesting Date | 31/08/21 | 31/08/21 | 31/08/21 | 31/08/21 | 31/08/22 | 31/08/22 |
| Expiry Date | 30/09/21 | 30/09/21 | 30/09/21 | 30/09/21 | 30/09/22 | 30/09/22 |
| Exercise Price (AU$) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Share Price (Date terms agreed) (AU$) | 3.23 | 3.23 | 2.56 | 2.56 | 2.26 | 2.26 |
| Expected Life (Days) | 1,095 | 1,095 | 1,095 | 1,095 | 1,095 | 1,095 |
| Expected Volatility | 47% | 47% | 48% | 48% | 49% | 49% |
| Expected Dividend Yield | 0% | 0% | 0% | 0% | 0% | 0% |
| Expected Risk Free Rate | 1.06% | 1.06% | 0.77% | 0.77% | 0.41% | 0.41% |
| Performance Conditions | Market (TSR Absolute) | Market (TSR Relative) | Market (TSR Absolute) | Market (TSR Relative) | Market (TSR Absolute) | Market (TSR Relative) |
| Fair Value (Average) (AU$) | 1.78 | 1.14 | 0.83 | 0.45 | 1.75 | 1.15 |

| Input Variable | | | | |
|---|---|---|---|---|
| Grant Date | 13/11/20 | 13/11/20 | 17/12/20 | 17/12/20 |
| Vesting Date | 31/08/23 | 31/08/23 | 31/08/23 | 31/08/23 |
| Expiry Date | 30/09/23 | 30/09/23 | 30/09/23 | 30/09/23 |
| Exercise Price (AU$) | $0.00 | $0.00 | $0.00 | $0.00 |
| Share Price (Date terms agreed) (AU$) | $2.97 | $2.97 | $4.31 | $4.31 |
| Expected Life (Days) | 1,095 | 1,095 | 1,095 | 1,095 |
| Expected Volatility | 52% | 52% | 53% | 53% |
| Expected Dividend Yield | 0% | 0% | 0% | 0% |
| Expected Risk Free Rate | 0.11% | 0.11% | 0.10% | 0.10% |
| Performance Conditions | Market (TSR Absolute) | Market (TSR Relative) | Market (TSR Absolute) | Market (TSR Relative) |
| Fair Value (Average) (AU$) | $1.79 | $2.20 | $3.25 | $3.60 |

## I. Shareholdings of KMP

### Minimum shareholding guidelines

The Board has no approved minimum shareholding guidelines for Non-Executive Directors as at the date of this Report. However, Non-Executive Directors have generally appropriate shareholdings and the Board will continue to review investor expectations in relation to this matter. At the 2019 AGM the shareholders approved a formal Plan requiring Non-Executive Directors to own a minimum number of shares. This Plan has yet to be formally adopted by the Board. The Directors regularly monitor investor expectations in this regard.

The table below highlights the movement in Ordinary shares for the KMP in FY21:

| | Opening Balance 1 July 2020 | Rights Converted | Net Acquired/ (Disposed) | Other | Closing Balance 30 June 2021 |
|---|---|---|---|---|---|
| Robert Hubbard | 100,293 | - | 11,904 | - | **112,197** |
| Fernando Oris de Roa | 100,000 | - | - | - | **100,000** |
| Martín Pérez de Solay | 152,818 | 114,516 | - | - | **267,334** |
| Richard Seville | 5,542,609 | - | (208,656) | - | **5,333,953** |
| John Gibson | 37,900 | - | - | - | **37,900** |
| Federico Nicholson[1] | 121,500 | - | 30,000 | (151,500) | **-** |
| Leanne Heywood | 19,050 | - | 5,952 | - | **25,002** |
| Masaharu Katayama[2] | - | - | - | - | **-** |
| Patricia Martinez[3] | - | - | - | - | **-** |
| Neil Kaplan | 385,279 | - | (6,192) | - | **379,087** |
| **Total** | **6,459,449** | **114,516** | **(166,992)** | **(151,500)** | **6,255,473** |

1 Federico Nicholson resigned effective 30 November 2020. Other column represents shareholdings at the date of his resignation.

2 Masaharu Katayama is the TTC representative on the Board. TTC retains the right to appoint a director at any time, subject to maintaining a 10% shareholding in the Group, therefore the level of Masaharu Katayama's shareholding is considered appropriate.

3 Patricia Martinez commenced effective 1 December 2020.

## J. Additional statutory information

### i. Other transactions with key management personnel

There were no other transactions with key management personnel of the Group during FY21 (FY20: nil)

### ii. Loans to key management personnel

Details of loans provided to key management personnel of the Group are set out below:

| Name | Balance at 1 July 2020 US$ | Interest paid and payable for the year US$ | Interest not charged US$ | Balance at 30 June 2021 US$ | Highest indebtedness during the year US$ |
|---|---|---|---|---|---|
| Martín Pérez de Solay (MD/CEO) | - | 230 | 1,612 | - | 80,298 |

A secured loan was made during the year to the MD/CEO in order to settle withholding tax payable on the receipt of 114,516 Ordinary Shares on the vesting and exercising of Tranche 2 of the Commencement and Retention Rights granted at the 2019 Annual General Meeting. The MD/CEO was unable to sell the number of shares required to settle the tax payable as there was a blackout period in terms of Orocobre's Trading Policy, due to the potential Galaxy Resources Limited merger transaction. The loan was to be repaid in full by 31 December 2021. If not settled by that date, Orocobre was entitled to withhold the principal and interest owing from the MD/CEO's salary. Interest was payable on the loan at 1% per annum (expressed as a US$ loan payable). The loan was repaid on 23 June 2021.

The amounts shown for interest not charged in the table above represents the difference between the amount paid and payable for the year and the amount of interest that would have been charged on an arms-length basis.

No write-downs or allowances for doubtful receivables have been recognised in relation to any loans made to key management personnel.

**This concludes the Remuneration Report, which has been audited.**

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# Auditor's Independence Declaration to the Directors of Orocobre Limited

As lead auditor for the audit of the financial report of Orocobre Limited for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Andrew Carrick
Partner
25 August 2021

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# Corporate Governance Statements

The Company's Corporate Governance Statements are summarised below. All of these documents can be downloaded via the Company's website: www.orocobre.com.

## Corporate Governance Statement

The Company's Corporate Governance Statement is structured with reference to ASX Limited (ASX) Corporate Governance Council's "Corporate Governance Principles and Recommendations, 4th Edition".

## Corporate Code of Conduct

Orocobre's Code of Conduct sets out the standard which the Board, Management and employees of the Company are encouraged to comply with when dealing with each other, shareholders and the broader community.

## Disclosure Policy

Orocobre is listed on the ASX and Toronto Stock Exchange (TSX) and must comply with the Corporations Act, the ASX Listing Rules and the TSX Rule Book and Policies.

## Trading Policy

The purpose of this Policy is to prevent insider trading in Orocobre Limited securities by informing employees of the prohibitions on them and parties related to them when dealing in Orocobre Limited securities and those of other related or potentially related companies.

## Corporate Remuneration Policy

The purpose of this policy is to provide a framework for Executive Management and the People and Governance Committee when formulating and structuring management, employee and Director remuneration.

## Diversity and Inclusion Policy

The Policy reflects and codifies the Company's value and respect for the competitive advantage of diversity (which includes but is not limited to gender, age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation and gender identity), and the benefit of its integration throughout the Company.

## Board Conflict of Interest Policy

The policy sets out expectations and requirements for the Board of Directors regarding disclosure of interests, presence during discussion and voting, material information and outside commitments.

## Anti-Bribery and Corruption Policy

Honesty, integrity and fairness are considered integral to way Orocobre operates. Conduct associated with bribery and corruption is inconsistent with these values. Orocobre is committed to operating in a manner consistent with the laws of the jurisdictions in which its businesses operate, including laws relating to bribery and corruption.

## Whistleblower Policy

Orocobre is committed to ensuring that its employees and business partners can raise concerns regarding bribery, corruption or other 'Improper Conduct' without being subjected to victimisation, harassment or discriminatory treatment, and to have such concerns properly investigated.

## Sustainable Development Policy

The Sustainable Development Policy records Orocobre's commitment to the achievement of the UN Global Compact's Sustainable Development Goals relevant to the Company's operations and the regular reporting on the Company's programs and progress.

## Human Rights Policy

Orocobre is a signatory to the UN Global Compact and adheres to the UN Guiding Principles on Business and Human Rights. The policy acknowledges the responsibility to respect human rights and sets out methodologies to achieve positive human rights outcomes.

## Environmental Policy

Orocobre is committed to ensuring the ongoing vitality of the local environment and the integrity of the ecosystems in which it operates. Orocobre operates

in compliance with local and national environmental legislation and employs robust environmental management practices to ensure minimal impact on the local environment.

## Landholder Engagement Policy

Orocobre has adopted the International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability (Performance Standard 5: Land Acquisition and Involuntary Resettlement) and World Bank Group's policy on Involuntary Resettlement as the basis for dealing with landholders affected by its operations.

## Community Policy

Orocobre operates in north-west Argentina and acknowledges the importance of local community involvement and empowerment in the creation of long-term shared value. The Community Policy seeks to reflect the Company's ongoing commitment to the local communities through our activities and interactions.

## Health and Safety Policy

In this policy we encourage and support all employees to achieve our "zero incident-zero harm" objective, by building their awareness and capability of core safety behaviours and incorporating necessary actions into their work plans to ensure the safety of themselves and others in the workplace.

## Orocobre Limited Board Charter

Orocobre's Board Charter sets out the main principles adopted by the Board of Directors of the Company to implement and maintain a culture of good corporate governance both internally and in its dealings with outsiders. The Board of the Company is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

## Audit and Risk Management Committee Charter

The Audit and Risk Management Committee Charter sets out the role, responsibilities, composition, authority and membership requirements of the Committee.

## People and Governance Committee Charter

The Orocobre Remuneration Committee Charter sets out the role, responsibilities, composition, authority and membership requirements of the People and Governance Committee.

## Related Party Committee Charter

Orocobre's Related Party Committee Charter defines the purpose, authority and responsibility of the Orocobre Related Party Committee.

## Sustainability Committee Charter

Orocobre's Related Party Committee Charter defines the purpose, authority and responsibility of the Orocobre Sustainability Committee.

## Modern Slavery Statement

This Modern Slavery Statement is made in accordance with the *Australian Modern Slavery Act 2018* (Cth). It applies to and describes the steps taken by Orocobre during the 2021 financial year to seek to minimise the risk of modern slavery occurring in our businesses or their supply chains.

# **Financial** Report

# Consolidated statement of profit or loss
for the year ended 30 June 2021

| | Note | 2021<br>US$'000 | 2020<br>US$'000 |
|---|---|---|---|
| Revenue from contracts with customers | 1 | **84,760** | 77,079 |
| Cost of sales | | **(37,498)** | (71,827) |
| **Gross profit** | | **47,262** | 5,252 |
| Other income | 2a | **5,970** | 15 |
| Corporate and administrative expenses | 2b | **(23,572)** | (21,274) |
| Selling expenses | 2c | **(5,088)** | (5,996) |
| Depreciation and amortisation expense | 9,10,12 | **(18,759)** | (13,883) |
| Asset impairment and write-downs | 3 | **(912)** | (15,038) |
| Share of net losses of associates | 22 | **(1,682)** | (1,507) |
| Foreign currency loss | 2d | **(3,634)** | (11,678) |
| **Loss before interest and income tax** | | **(415)** | (64,109) |
| Finance income | 2e | **1,906** | 6,769 |
| Finance costs | 2f | **(23,025)** | (19,670) |
| **Loss before income tax** | | **(21,534)** | (77,010) |
| Income tax (expense)/benefit | 4a | **(67,940)** | 9,851 |
| **Loss for the year** | | **(89,474)** | (67,159) |
| **Loss for the year attributable to:** | | | |
| Owners of the parent entity | | **(59,625)** | (51,991) |
| Non-controlling interests | | **(29,849)** | (15,168) |
| **Loss for the year** | | **(89,474)** | (67,159) |
| **Earnings per share for loss attributable to the ordinary equity holders of the Company** | | | |
| Basic earnings per share (US cents per share) | 5 | **(18.02)** | (19.64) |
| Diluted earnings per share (US cents per share) | 5 | **(18.02)** | (19.64) |
| **Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company** | | | |
| Basic earnings per share (US cents per share) | 5 | **(18.02)** | (19.64) |
| Diluted earnings per share (US cents per share) | 5 | **(18.02)** | (19.64) |

These consolidated financial statements should be read in conjunction with the accompanying notes

# Consolidated statement of comprehensive income

for the year ended 30 June 2021

| | Note | 2021<br>US$'000 | 2020<br>US$'000 |
|---|---|---|---|
| **Loss for the period** | | **(89,474)** | (67,159) |
| **Other comprehensive profit/(loss)** | | | |
| *(Items that may be reclassified subsequently to profit or loss)* | | | |
| Translation gains on foreign operations - subsidiaries | 15b | **1,500** | 1,044 |
| Translation losses on foreign operations - associates | 15b | **(88)** | - |
| Net gain/(loss) on revaluation of hedged derivatives | | **2,159** | (1,019) |
| Gain on revaluation of financial assets - associates | 22a | **-** | 31 |
| **Other comprehensive profit for the year, net of tax** | | **3,571** | 56 |
| **Total comprehensive loss for the year, net of tax** | | **(85,903)** | (67,103) |
| **Total comprehensive loss attributable to:** | | | |
| Owners of the parent entity | | **(56,777)** | (51,681) |
| Non-controlling interests | | **(29,126)** | (15,422) |
| **Total comprehensive loss for the year, net of tax** | | **(85,903)** | (67,103) |

These consolidated financial statements should be read in conjunction with the accompanying notes

# Consolidated statement of financial position

as at 30 June 2021

| | Note | 2021<br>US$'000 | 2020<br>US$'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 16 | **258,319** | 171,836 |
| Trade and other receivables | 6 | **23,475** | 16,403 |
| Inventory | 8 | **45,176** | 30,336 |
| Prepayments | 7 | **4,343** | 8,321 |
| **Total current assets** | | **331,313** | 226,896 |
| **Non-current assets** | | | |
| Other receivables | 6 | **21,928** | 18,424 |
| Inventory | 8 | **49,188** | 42,009 |
| Other financial assets | 16 | **16,356** | 17,171 |
| Property, plant and equipment | 9 | **851,030** | 762,008 |
| Right of use assets | 12 | **28,055** | 27,494 |
| Intangible assets | 10 | **727** | 897 |
| Exploration, evaluation and development assets | 11 | **45,867** | 44,762 |
| Investment in associates | 22 | **4,230** | 6,000 |
| **Total non-current assets** | | **1,017,381** | 918,765 |
| **Total assets** | | **1,348,694** | 1,145,661 |
| **Current liabilities** | | | |
| Trade and other payables | 13 | **35,759** | 36,956 |
| Derivative financial instruments | 17 | **2,624** | 2,899 |
| Loans and borrowings | 16 | **34,683** | 62,397 |
| Provisions | 14 | **882** | 710 |
| Lease liabilities | 12 | **2,562** | 2,654 |
| **Total current liabilities** | | **76,510** | 105,616 |
| **Non-current liabilities** | | | |
| Other payables | 13 | **22,376** | 5,396 |
| Derivative financial instruments | 17 | **2,746** | 5,461 |
| Loans and borrowings | 16 | **266,278** | 157,613 |
| Deferred tax liability | 4c | **187,713** | 118,995 |
| Provisions | 14 | **34,857** | 33,355 |
| Lease liabilities | 12 | **33,123** | 28,651 |
| **Total non-current liabilities** | | **547,093** | 349,471 |
| **Total liabilities** | | **623,603** | 455,087 |
| **Net assets** | | **725,091** | 690,574 |
| **Equity** | | | |
| Issued capital | 15a | **668,512** | 548,462 |
| Reserves | 15b | **(12,664)** | (16,608) |
| Retained earnings | | **10,880** | 70,505 |
| Equity attributable to the owners of Orocobre | | **666,728** | 602,359 |
| Equity attributable to non-controlling interests | | **58,363** | 88,215 |
| **Total equity** | | **725,091** | 690,574 |

These consolidated financial statements should be read in conjunction with the accompanying notes

# Consolidated statement of changes in equity

for the year ended 30 June 2021

| | Note | Issued capital US$'000 | Retained earnings US$'000 | Reserves US$'000 | Total US$'000 | Non-controlling interests US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|
| Balance as at 1 July 2019 | | 527,716 | 136,279 | (32,176) | 631,819 | 102,877 | 734,696 |
| Loss for the year | | - | (51,991) | - | (51,991) | (15,168) | (67,159) |
| Other comprehensive profit/(loss) for the year | 15b | - | - | 310 | 310 | (254) | 56 |
| Total comprehensive profit/(loss) | | - | (51,991) | 310 | (51,681) | (15,422) | (67,103) |
| Shares issued during the year | 15a | 136 | - | - | 136 | - | 136 |
| Acquisition of an associate | 22 | 20,610 | - | - | 20,610 | - | 20,610 |
| Share-based payments | 15b | - | - | 1,477 | 1,477 | - | 1,477 |
| Transfer of retained earnings to legal & discretionary reserve | 15b | - | (13,356) | 13,356 | - | - | - |
| Realisation of OCI to retained earnings | 15b | - | (427) | 427 | - | - | - |
| Other movements | | - | - | (2) | (2) | 760 | 758 |
| Balance as at 30 June 2020 | | 548,462 | 70,505 | (16,608) | 602,359 | 88,215 | 690,574 |
| | | | | | | | |
| **Balance as at 1 July 2020** | | **548,462** | **70,505** | **(16,608)** | **602,359** | **88,215** | **690,574** |
| Loss for the year | | **-** | **(59,625)** | **-** | **(59,625)** | **(29,849)** | **(89,474)** |
| Other comprehensive profit/(loss) for the year | 15b | **-** | **-** | **2,848** | **2,848** | **723** | **3,571** |
| Total comprehensive profit/(loss) | | **-** | **(59,625)** | **2,848** | **(56,777)** | **(29,126)** | **(85,903)** |
| Shares issued during the year | 15a | **120,050** | **-** | **-** | **120,050** | **-** | **120,050** |
| Share-based payments | 15b | **-** | **-** | **1,902** | **1,902** | **-** | **1,902** |
| Other movements | | **-** | **-** | **(806)** | **(806)** | **(726)** | **(1,532)** |
| **Balance as at 30 June 2021** | | **668,512** | **10,880** | **(12,664)** | **666,728** | **58,363** | **725,091** |

These consolidated financial statements should be read in conjunction with the accompanying notes

# Consolidated statement of cash flows

for the year ended 30 June 2021

| | Note | 2021<br>US$'000 | 2020<br>US$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | **89,165** | 80,924 |
| Payments to suppliers and employees | | **(94,422)** | (84,816) |
| Interest received | | **1,993** | 6,238 |
| Interest paid | | **(12,435)** | (12,777) |
| **Net cash used in operating activities** | 24 | **(15,699)** | (10,431) |
| **Cash flows from investing activities** | | | |
| Net payments for exploration, evaluation and development expenditure | 11 | **(1,105)** | (4,623) |
| Proceeds from sale of assets, net of transaction costs | | **2,450** | 914 |
| Purchase of property, plant and equipment | 9 | **(96,508)** | (132,314) |
| Investment in associates | 22 | **-** | (1,178) |
| Proceeds from financial assets | | **815** | - |
| **Net cash used in investing activities** | | **(94,348)** | (137,201) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | **119,351** | 136 |
| Payments of lease liabilities | | **(3,323)** | (2,287) |
| Proceeds from borrowings | | **113,971** | 97,577 |
| Repayment of borrowings | | **(31,045)** | (56,351) |
| **Net cash provided by financing activities** | | **198,954** | 39,075 |
| **Net increase/(decrease) in cash and cash equivalents** | | **88,907** | (108,557) |
| Cash and cash equivalents, net of overdrafts, at the beginning of the period | | **171,836** | 279,798 |
| Effect of exchange rates on cash holdings in foreign currencies | | **(2,424)** | 595 |
| **Cash and cash equivalents, net of overdrafts, at the end of the period** | **16** | **258,319** | 171,836 |

These consolidated financial statements should be read in conjunction with the accompanying notes

## About this report

Orocobre Limited is a company limited by shares, incorporated in Australia and is a for-profit entity for the purposes of preparing the financial statements. The financial statements are for the consolidated entity consisting of Orocobre Limited (the '**Company**' or the '**Parent**') and its subsidiaries and together are referred to as the '**Group**' or '**Orocobre**'.

The registered office and principal place of business is: Level 35, 71 Eagle Street, Brisbane, Queensland 4000, Australia. The financial statements were authorised for issue on 25 August 2021 by the Directors of the Company. The Directors have the power to amend and reissue the financial statements.

The financial statements are general purpose financial statements which:

- Have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB),
- Have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value,
- Are presented in US Dollars, with all amounts in the financial report being rounded off in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 to the nearest thousand Dollars, unless otherwise indicated,
- Where necessary, comparative information has been restated to conform with changes in presentation in the current year. Cost of sales has increased for the 2020 year by US$18,101,000 to US$71,827,000 and impairment has decreased by the same value to US$15,038,000 to allocate net realisable value and other write-downs to cost of sales. This was done to better reflect the performance of the business, given that the reversal of the write-down of the products is reflected in cost of sales in 2021,
- Adopt all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2020, and
- Equity accounting for associates is listed in Note 22.

Significant and other accounting policies that summarise the measurement basis used and that are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements and in Note 30.

### Significant judgements and estimates

The Group has identified a number of critical accounting policies under which significant judgements, estimates and assumptions are made. Actual results may differ for these estimates under different assumptions and conditions. This may materially affect financial results and the carrying amount of assets and liabilities to be reported in the next and future periods. Additional information relating to these critical accounting policies is embedded within the following notes:

| Note | Critical accounting policy |
|---|---|
| 1 | Revenue |
| 3 | Impairment |
| 4 | Deferred Taxation |
| 8 | Inventory |
| 14 | Provision for rehabilitation |
| 19 | Share-based payments |

### Resource estimates

Resources are estimates of the amount of product that can be economically and legally extracted, processed and sold from the Group's properties under current and foreseeable economic conditions. The Group determines, and reports ore resources under the standards incorporated in the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves, 2012 edition (the JORC Code).

The determination of ore resources includes estimates and assumptions about a range of geological, technical and economic factors, including: quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Changes in ore resources impact the assessment of recoverability of exploration and evaluation assets, property, plant and equipment, the carrying amount of assets depreciated on a units of production basis, provision for site restoration and the recognition of deferred tax assets, including tax losses.

Estimating the quantity and/or grade of resources requires the size, shape and depth of ore or brine bodies to be determined by analysing geological data. This process requires complex and difficult geological judgements to interpret the data. Additional information on the Group's reserves and resources can be viewed on page 90. This information is unaudited and does not form part of these Financial Statements.

## About this report (continued)

**Resources impact on financial reporting**

Estimates of resources may change from period to period as the economic assumptions used to estimate resource change and additional geological data is generated during the course of operations. Changes in resources may affect the Group's financial results and financial position in a number of ways, including:

- asset carrying values may be affected due to changes in estimated future production levels,
- depreciation, depletion and amortisation charged in the statement of profit or loss may change where such charges are determined on the units of production basis, or where the useful economic lives of assets change,
- decommissioning, site restoration and environmental provisions may change where changes in estimated resources affect expectations about the timing or cost of these activities,
- the carrying amount of deferred tax assets may change due to changes in estimates of the likely recovery of the tax benefits.

### Foreign currency translation

The functional currency of the entities within the Group is USD, with exception of Borax Argentina S.A. (ARS) and Toyotsu Lithium Corporation (YEN). In preparation of the financial statements the following exchange rates have been used to translate from the functional currency of each entity to the presentational currency of the Group:

| | **30 June 2021** | 30 June 2020 | Movement (%) |
|---|---|---|---|
| **Spot Rates** | | | |
| ARS -> USD 1 | **95.7100** | 70.4600 | (35.84%) |
| YEN -> USD 1 | **110.4914** | 107.7380 | (2.56%) |
| **Average Rates** | | | |
| ARS -> USD 1 | **83.8555** | 59.7215 | (40.41%) |
| YEN -> USD 1 | **106.4626** | 108.1312 | 1.54% |

Argentina's economy is hyperinflationary from 1 July 2018, and as such Orocobre accounts for its ARS functional currency entities as hyperinflationary effective from this date. As most financial assets and liabilities of its ARS functional currency entities are denominated in USD, and the Group's functional currency is USD, there is no material impact, other than income tax balances and Value Added Tax (VAT) receivables, on the consolidated financial statements of the Group.

## Note 1: Segment reporting and revenue

The Group operates primarily in Argentina. The Group's primary focus is on operation of the lithium business and development of lithium deposits. The Group also includes the operations of Borax. The Group has three reportable segments, being Corporate, the Olaroz project and Borax. The Corporate segment includes non-operating lithium deposits and the investment in Toyota Lithium Corporation.

In determining operating segments, the Group has had regard to the information and reports the Chief Operating Decision maker (COD) uses to make strategic decisions regarding resources. The Managing Director & Chief Executive Officer (MD/CEO) is considered to be the COD and is empowered by the Board of Directors to allocate resources and assess the performance of the Group. The COD assesses and reviews the business using the operating segments below. Segment performance is evaluated based on the performance criteria parameters agreed for each segment. These include, but are not limited to: financial performance, exploration activity, production volumes and cost controls. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

## Note 1: Segment reporting and revenue (continued)

The following tables present revenue and profit information for the Group's operating segments:

For the year ended 30 June 2021

| | Corporate | Borax [4] | Olaroz [5] | Total underlying | Elimination on consolidation | Total Group |
|---|---|---|---|---|---|---|
| | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| **Revenue** | **-** | **18,390** | **66,370** | **84,760** | **-** | **84,760** |
| **EBITDAIX [1]** | **(9,354)** | **847** | **11,452** | **2,945** | **-** | **2,945** |
| Less depreciation & amortisation | **(465)** | **-** | **(18,294)** | **(18,759)** | **-** | **(18,759)** |
| **EBITIX [2]** | **(9,819)** | **847** | **(6,842)** | **(15,814)** | **-** | **(15,814)** |
| Less interest income/(costs) | **14,685** | **(57)** | **(29,739)** | **(15,111)** | **(6,008)** | **(21,119)** |
| **EBTIX [3]** | **4,866** | **790** | **(36,581)** | **(30,925)** | **(6,008)** | **(36,933)** |
| Less impairment/write-downs | **-** | **(912)** | **-** | **(912)** | **-** | **(912)** |
| Add rehabilitation provision remeasurement | **-** | **3,504** | **-** | **3,504** | **-** | **3,504** |
| Add realisation of inventory write-downs [5] | **-** | **(15)** | **18,138** | **18,123** | **-** | **18,123** |
| Less foreign currency (losses)/gains | **1,638** | **(1,326)** | **(3,946)** | **(3,634)** | **-** | **(3,634)** |
| Less share of loss of associates, net of tax | **(1,682)** | **-** | **-** | **(1,682)** | **-** | **(1,682)** |
| **Segment profit/(loss) for the year before tax** | **4,822** | **2,041** | **(22,389)** | **(15,526)** | **(6,008)** | **(21,534)** |
| Income tax expense | **-** | **-** | **(67,940)** | **(67,940)** | **-** | **(67,940)** |
| **Total profit/(loss) for the year** | **4,822** | **2,041** | **(90,329)** | **(83,466)** | **(6,008)** | **(89,474)** |

1 EBITDAIX - Segment earnings before interest, taxes, depreciation, amortisation, impairment, rehabilitation provision remeasurement, realisation of inventory write-downs, share of associates gains/(losses) and foreign currency gains/(losses).

2 EBITIX - Segment earnings before interest, taxes, impairment, rehabilitation provision remeasurement, realisation of inventory write-downs, share of associates gains/(losses) and foreign currency gains/(losses).

3 EBTIX - Segment earnings before taxes, impairment, rehabilitation provision remeasurement, realisation of inventory write-downs, share of associates gains/(losses) and foreign currency gains/(losses).

4 The Borax segment EBITDAIX includes US$2,367,000 received for the sale of usufruct.

5 The Olaroz segment profit includes the sale of inventories previously written down to net realisable value recognised in FY20.

For the year ended 30 June 2020

| | Corporate [4] | Borax | Olaroz | Total underlying | Elimination on consolidation | Total Group |
|---|---|---|---|---|---|---|
| | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| Revenue | - | 19,037 | 58,042 | 77,079 | - | 77,079 |
| EBITDAIX [1] | (8,299) | (1,234) | 5,654 | (3,879) | (23) | (3,902) |
| Less depreciation & amortisation | (497) | (131) | (13,255) | (13,883) | - | (13,883) |
| EBITIX [2] | (8,796) | (1,365) | (7,601) | (17,762) | (23) | (17,785) |
| Less interest income/(costs) | 16,224 | (368) | (22,793) | (6,937) | (5,964) | (12,901) |
| EBTIX [3] | 7,428 | (1,733) | (30,394) | (24,699) | (5,987) | (30,686) |
| Less impairment/write-downs | (15,475) | (1,947) | (17,931) | (35,353) | 2,214 | (33,139) |
| Less foreign currency (losses)/gains | (1,363) | (3,508) | (6,829) | (11,700) | 22 | (11,678) |
| Less share of loss of associates, net of tax | (1,507) | - | - | (1,507) | - | (1,507) |
| Segment loss for the year before tax | (10,917) | (7,188) | (55,154) | (73,259) | (3,751) | (77,010) |
| Income tax benefit | - | - | 9,851 | 9,851 | - | 9,851 |
| Total loss for the year | (10,917) | (7,188) | (45,303) | (63,408) | (3,751) | (67,159) |

1 EBITDAIX - Segment earnings before interest, taxes, depreciation, amortisation, impairment and foreign currency gains/(losses).

2 EBITIX - Segment earnings before interest, taxes, impairment and foreign currency gains/(losses).

3 EBTIX - Segment earnings before taxes, impairment and foreign currency gains/(losses).

4 The 2020 financial report treated the Cauchari as a separate segment following its acquisition on 17 April 2020. The CODM determined that Cauchari is not a material segment and this has been included as part of the Corporate segment. The comparative information has been amended to reflect this treatment.

## Note 1: Segment reporting and revenue (continued)

Segment assets and liabilities are measured in the same manner as the financial statements and are allocated based on the operations of the segment. The following tables present assets and liabilities of the Group's operating segments:

For the year ended 30 June 2021

| | Note | Corporate US$'000 | Borax US$'000 | Olaroz US$'000 | Eliminations on consolidation US$'000 | Total Group US$'000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Segment assets | | **719,609** | **14,403** | **1,057,740** | **(443,058)** | **1,348,694** |
| **Liabilities** | | | | | | |
| Segment liabilities | | **(18,013)** | **(14,463)** | **(874,321)** | **283,194** | **(623,603)** |
| **Other disclosures** | | | | | | |
| Investment in associates | 22 | **4,230** | **-** | **-** | **-** | **4,230** |
| Capital and development expenditure | 9,10,11 | **11** | **1,587** | **96,014** | **-** | **97,612** |

For the year ended 30 June 2020

| | Note | Corporate [1] US$'000 | Borax US$'000 | Olaroz US$'000 | Eliminations on consolidation US$'000 | Total Group US$'000 |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Segment assets | | 556,173 | 13,964 | 932,049 | (356,525) | 1,145,661 |
| Liabilities | | | | | | |
| Segment liabilities | | (15,961) | (17,129) | (660,610) | 238,613 | (455,087) |
| Other disclosures | | | | | | |
| Investment in associates | 22 | 6,000 | - | - | - | 6,000 |
| Capital and development expenditure | 9,10,11 | 630 | 1,993 | 128,555 | - | 131,178 |

1 The 2020 financial report treated the Cauchari as a separate segment following its acquisition on 17 April 2020. The CODM determined that Cauchari is not a material segment and this has been included as part of the Corporate segment. The comparative information has been amended to reflect this treatment.

### Revenue accounting policy

Revenue is measured at the fair value of the consideration received or receivable, including returns and allowances, trade discounts and volume rebates. Revenue is recognised when control of goods passes from the seller to the buyer dictated by the Incoterms specified in the sales contract, this is the point the performance obligations have been completed. The Group assesses whether its performance obligation, being the delivery of product, is satisfied prior to the recognition of revenue. In certain sale transactions where there are stringent requirements on the delivered product, the group will defer revenue for these sales until such time as it can evidence acceptance of the product by the customer.

The Group's customers are non-government customers with both short and long-term contracts. The Group does not have contract assets or contract liabilities arising from contracts with customers, other than trade receivables (see Note 6) and deposits received in advance (see Note 13). Revenue is recognised on an as-invoiced basis; and is measured at the fair value of the consideration received or receivable, including returns and allowances, trade discounts and volume rebates. There were US$1,600,000 (2020: US$1,200,000) of revenues with provisional pricing recognised in the year ended 30 June 2021.

In financial year 2021, a customer with a credit rating of A contributes 78% of the Group’s total revenue (2020: 75%).

### Significant judgements and estimates

Significant judgement is involved in assessing when the Group satisfies its performance obligations with its customer, including timing of customer acceptance, if applicable.

# Notes to the consolidated financial statements

for the year ended 30 June 2021

## Note 1: Segment reporting and revenue (continued)

Disaggregation of the Group's revenue from contracts with customers

For the year ended 30 June 2021

| | | Olaroz | Borax | Total |
|---|---|---|---|---|
| | | **US$'000** | **US$'000** | **US$'000** |
| **Type of goods** | **Timing of recognition** | | | |
| Lithium Carbonate | A point in time | **66,370** | **-** | **66,370** |
| Borax | A point in time | **-** | **7,297** | **7,297** |
| Borax Acid | A point in time | **-** | **4,481** | **4,481** |
| Hydroboracite | A point in time | **-** | **5,008** | **5,008** |
| Other | A point in time | **-** | **1,604** | **1,604** |
| **Total revenue from contracts with customers** | | **66,370** | **18,390** | **84,760** |
| **Geographical markets** | | | | |
| Asia | | **51,804** | **2,116** | **53,920** |
| Europe | | **12,605** | **203** | **12,808** |
| South America | | **-** | **14,545** | **14,545** |
| North America | | **1,961** | **650** | **2,611** |
| Other | | **-** | **876** | **876** |
| **Total revenue from contracts with customers** | | **66,370** | **18,390** | **84,760** |

For the year ended 30 June 2020

| | | Olaroz | Borax | Total |
|---|---|---|---|---|
| | | US$'000 | US$'000 | US$'000 |
| Type of goods | Timing of recognition | | | |
| Lithium Carbonate | A point in time | 58,042 | - | 58,042 |
| Borax | A point in time | - | 7,616 | 7,616 |
| Borax Acid | A point in time | - | 5,713 | 5,713 |
| Hydroboracite | A point in time | - | 4,517 | 4,517 |
| Other | A point in time | - | 1,191 | 1,191 |
| Total revenue from contracts with customers | | 58,042 | 19,037 | 77,079 |
| Geographical Markets | | | | |
| Asia | | 34,311 | 2,477 | 36,788 |
| Europe | | 19,474 | 288 | 19,762 |
| South America | | - | 14,385 | 14,385 |
| North America | | 4,257 | 518 | 4,775 |
| Other | | - | 1,369 | 1,369 |
| Total revenue from contracts with customers | | 58,042 | 19,037 | 77,079 |

## Note 2: Income, expenses, finance income and finance costs

| | Note | 2021 US$'000 | 2020 US$'000 |
|---|---|---|---|
| **2a) Other income** | | | |
| Rehabilitation provision remeasurement | 14b | **3,504** | - |
| Income from sale of usufruct | | **2,367** | - |
| Other income | | **99** | 15 |
| **Total other income** | | **5,970** | 15 |
| **2b) Corporate & Administrative expenses** | | | |
| Employee benefit expenses | | **(9,279)** | (9,271) |
| Audit fees | 25 | **(310)** | (251) |
| Legal and consulting fees | | **(1,553)** | (1,691) |
| Share-based payments | 19 | **(1,902)** | (1,477) |
| Travel | | **(292)** | (930) |
| Insurance | | **(1,060)** | (1,397) |
| Office & communication costs | | **(1,811)** | (907) |
| Listing & investor relations costs | | **(513)** | (448) |
| Bank Fees | | **(949)** | (777) |
| Environmental monitoring & studies | | **(330)** | (610) |
| Merger costs | | **(1,243)** | - |
| Restructuring costs i) | | **(3,682)** | (3,112) |
| Other costs | | **(648)** | (403) |
| **Total corporate and administrative expenses** | | **(23,572)** | (21,274) |

i) During the year ended 30 June 2021 the Group incurred US$3,682,000 (2020: US$ 3,112,000) resulting from restructuring costs.

- Included in such costs from the Olaroz segment, there was a termination payment for a supply agreement of US$1,200,000 (2020: nil), and fixed costs of US$161,000 (2020: US$2,161,000) which were not allocated to the cost of inventories due to the reduction of production volumes resulting from COVID-19.
- Included in such costs from the Borax segment, there were employee benefits expenses of US $1,431,000 (2020: US $356,000), and fixed costs of US$876,000 (2020: nil) which were not allocated to the cost of inventories due to the reduction of production volumes resulting from COVID-19.

| | | 2021 US$'000 | 2020 US$'000 |
|---|---|---|---|
| **2c) Selling costs** | | | |
| Export duties | | **(2,886)** | (3,636) |
| Mining royalty | | **(622)** | (356) |
| Dispatching & logistics | | **(1,580)** | (2,004) |
| **Total selling costs** | | **(5,088)** | (5,996) |
| **2d) Foreign currency loss** | | | |
| **Total foreign currency loss i)** | | **(3,634)** | (11,678) |

i) Foreign currency losses relate to AUD denominated balances in the corporate entities and ARS balances in Borax Argentina SA and SDJ SA when converting to USD.

| | | 2021 US$'000 | 2020 US$'000 |
|---|---|---|---|
| **2e) Finance income** | | | |
| Interest income on loans receivable | | **118** | - |
| Interest income from short term deposits | | **1,593** | 5,603 |
| Changes in value of financial assets and liabilities | | **195** | 1,166 |
| **Total finance income** | | **1,906** | **6,769** |

## Note 2: Income, expenses, finance income and finance costs (continued)

| 2f) Finance costs | Note | **2021** US$'000 | 2020 US$'000 |
|---|---|---|---|
| Interest expense on external loans and borrowings and other finance costs amortised | | **(11,842)** | (13,601) |
| Interest expense on loans and borrowings from related parties [i] | | **(2,355)** | (1,875) |
| Interest expense on lease liabilities | 12 | **(2,576)** | (2,170) |
| Other finance costs related to related party loans | | **(1,729)** | (1,494) |
| Change in fair value of financial assets and liabilities | | **(4,155)** | - |
| Unwinding of the rehabilitation provision | 14b | **(368)** | (530) |
| **Total finance costs** | | **(23,025)** | (19,670) |

i) The interest expense to the related party is non-cash and will be paid on repayment of the loans (Note 26). US$2,2003,000 (2020: US$1,948,000) of the interest expense has been capitalised to PPE (Note 9).

### Recognition and measurement

#### Interest income

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

## Note 3: Asset impairments and write-downs

| | Note | **2021** US$'000 | 2020 US$'000 |
|---|---|---|---|
| **Asset impairments and write-downs during the year:** | | | |
| Expected credit losses | | **(34)** | (26) |
| Impairment of exploration and evaluation [i] | 11 | - | (3,093) |
| Impairment of property, plant and equipment [ii] | 9 | **(878)** | (1,590) |
| Loss on fair value of associates [iii] | 22 | - | (10,329) |
| **Total [iv]** | | **(912)** | **(15,038)** |

i) A review of exploration and evaluation was completed in 2020, which lead to the impairment of an area of interest as the expenditure was unlikely to be recovered.

ii) During the current and prior financial years, the Group recognised an impairment loss of Borax Argentina's property, plant, and equipment as a result of its annual impairment testing. This impairment has been recognised due to low boron prices, low production levels and other market factors and was based on a value in use methodology and the recoverable amount was assessed to be nil (2020: nil).

iii) Impairment of investment in associates relates to the remeasurement of Advantage Lithium based on the valuation of the acquisition of the entity in April 2020.

iv) Impairment in 2020 has decreased by the US$18,101,000 to US$15,038,000 to allocate net realisable value and other write-downs to cost of sales. This was done to better reflect the performance of the business, given that the reversal of the write-down of the products is reflected in cost of sales in 2021.

### Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets in which case the asset is allocated to its appropriate CGU.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount.

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

### Significant judgements and estimates

The Group considers annually whether there have been any indicators of impairment and then tests whether non-current assets, including

## Note 3: Asset impairments and write-downs (continued)

investments in associates, property, plant and equipment and right-of-use assets, have suffered any impairment. If there are any indicators of impairment, the recoverable amounts of CGU's have been determined based on value in use calculations or fair value less cost of disposal. The assessment of impairment indicators and impairment calculations require the use of assumptions and estimates.

## Note 4: Income tax

| | 2021 | 2020 |
|---|---|---|
| | US$'000 | US$'000 |
| **4a) Income tax expense** | | |
| Current income tax (expense)/benefit | - | - |
| Deferred tax (expense)/benefit | (67,940) | 9,851 |
| **Total income tax (expense)/benefit** | **(67,940)** | **9,851** |
| **Deferred income tax (expense)/benefit included in income tax expense comprises:** | | |
| Decrease in deferred tax assets | 12,600 | 18,557 |
| Decrease in deferred tax liabilities | (80,540) | (8,706) |
| | (67,940) | 9,851 |
| **4b) Deferred tax assets** i) | | |
| Carry forward tax losses | 22,408 | 24,448 |
| Financial liabilities | 23,802 | 12,626 |
| Accounts payable | - | 300 |
| Other non-financial liabilities | 7,590 | 2,956 |
| **Total deferred tax assets** | **53,800** | **40,330** |
| Set-off of deferred tax liabilities pursuant to set-off provisions | (53,800) | (40,330) |
| **Net deferred tax assets** | **-** | **-** |

i) Deferred tax assets are recognised in relation to Olaroz and they do not include other Group entities.

| | 2021 | 2020 |
|---|---|---|
| **4c) Deferred tax liabilities** | | |
| Property, plant and equipment | (227,872) | (154,220) |
| Inventories | (13,641) | (5,044) |
| Other financial assets | - | (61) |
| **Total deferred tax liabilities** | **(241,513)** | **(159,325)** |
| Set-off of deferred tax liabilities pursuant to set-off provisions | 53,800 | 40,330 |
| **Net deferred tax liabilities** | **(187,713)** | **(118,995)** |
| **4d) Numerical reconciliation of income tax expense to loss before tax** | | |
| Loss before income tax expense | (21,534) | (77,010) |
| Tax expense at Australian tax rate of 30% (2020: 30%) | 6,460 | 23,103 |
| Tax effect of amounts which are (not deductible)/taxable in calculating taxable income: | | |
| Share-based payments | (554) | (431) |
| Share of loss of associates | (505) | (452) |
| Fair value loss on associate | - | (3,099) |
| Other | 106 | (495) |
| Tax losses for the year not recognised | - | (2,575) |
| Recognition of prior year unrecognised tax losses | 1,513 | - |
| Changes in tax rates (foreign subsidiaries) | (49,669) | 948 |
| Foreign exchange and effects of hyperinflation | (25,291) | (7,148) |
| **Income tax (expense)/benefit** | **(67,940)** | **9,851** |
| **4e) Tax benefit relating to items of other comprehensive income** | | |
| Interest swap hedge | (778) | 210 |

## Note 4: Income tax (continued)

The Group is in a tax loss position and therefore current income tax expense was not recognised during the period.

The Group has tax losses which arose in Australia of US$11,229,000 (2020: US$19,860,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group has recognised tax losses which arose in Argentina of US$51,292,000 (ARS 4,909,644,000) (2020: US$50,463,000 / ARS 3,555,635,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. The Group also has ARS 1,218,624,000 (US$12,731,000) of tax losses which expire in FY25.

The income tax rate in Argentina for the year was 30% (2020: 30%). The income tax rate was legislated to reduce to 25% for fiscal years commencing 1 January 2021, but a change in legislation during the year has increased the income tax rate to 35%. The income tax rate change resulted in an additional US$49,669,000 income tax expense for the year due to the remeasurement of the deferred tax liabilities now reflective of a 35% income tax rate compared to a 25% income tax rate.

### Recognition and measurement

**Current income tax**

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

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

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax items are recognised in correlation to the underlying transaction.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred income tax assets and liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arose from the initial recognition of goodwill or of an asset or liability in a transaction that was not a business combination and that, at the time of the transaction, affected neither the accounting profit nor taxable profit or loss.
- In respect of deductible/taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

## Note 5: Earnings per share

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

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

## Note 5: Earnings per share (continued)

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

| | 2021 | 2020 |
|---|---|---|
| | US$'000 | US$'000 |
| **Loss attributable to ordinary equity holders of the parent:** | | |
| Loss for the financial year | **(89,474)** | (67,159) |
| Exclude non-controlling interests | **29,849** | 15,168 |
| **Net loss used in the calculation of basic and dilutive EPS** | **(59,625)** | (51,991) |

| | 2021 | 2020 |
|---|---|---|
| | No. | No. |
| Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS | **330,859,370** | 264,664,646 |
| Weighted average number of options and performance rights outstanding [i] | **-** | - |
| **Weighted average number of ordinary shares outstanding during the period used in the calculation of dilutive EPS** | **330,859,370** | 264,664,646 |

i) Weighted average performance rights outstanding for 2021 that may be issued in the future and potentially dilute the earnings per share that have not been considered in the calculation due to anti-dilutive effect: 2,533,348 (2020: 1,718,879)

## Note 6: Trade and other receivables

| | 2021 | 2020 |
|---|---|---|
| | US$'000 | US$'000 |
| Current trade and other receivables | | |
| Trade receivables | **6,567** | 1,102 |
| Interest receivable | **260** | 659 |
| Other receivables | **4,453** | 1,627 |
| VAT tax credits & other tax receivable [i] | **12,195** | 13,015 |
| **Total current trade and other receivables** | **23,475** | 16,403 |
| Non-current other receivables | | |
| Receivable from a joint venture party [ii] | **6,552** | 6,969 |
| Other receivables | **1,410** | 1,485 |
| VAT tax credits [i] | **13,966** | 9,970 |
| **Total non-current other receivables** | **21,928** | **18,424** |

i) The Group has a total of US$24,471,000 (2020: US$17,802,000) of current and non-current Value Added Tax (VAT) recoveries due from the Argentine revenue authority. The Group records VAT at fair value due to the hyperinflationary economy in Argentina and the highly devaluing local currency. Fair value has been determined using a discounted cash flow valuation technique based on the forecast timing of recovery of VAT, and interest rate and exchange rate relevant for that time period (Level 3).

ii) Fair value has been determined using a discounted cash flow valuation technique based on forecast timing of receipts and discount rate relevant to the cash flow stream (Level 3).

### Recognition and Measurement

Trade receivables generally have credit terms of 30 days. They are presented as current assets unless collection is not expected for more than 12 months after reporting date. The Group applies the simplified approach to providing expected credit losses as prescribed by AASB 9 *Financial Instruments*. Trade receivables have not had a significant increase in credit risk since they were originated. Refer to Note 18 (c) for further commentary on credit risk.

## Note 7: Prepayments

| | 2021 | 2020 |
|---|---|---|
| | **US$'000** | US$'000 |
| Prepayments to suppliers | **4,276** | 5,668 |
| Prepayments to tax authorities | **67** | 2,653 |
| **Total current prepayments** | **4,343** | 8,321 |

## Note 8: Inventories

| | | |
|---|---|---|
| **Current** | | |
| Work in progress | **14,370** | 4,804 |
| Finished products | **11,868** | 8,321 |
| Materials and spare parts | **18,938** | 17,211 |
| **Total current** | **45,176** | 30,336 |
| **Non-current** | | |
| Work in progress | **47,958** | 41,029 |
| Materials and spare parts | **1,230** | 980 |
| **Total non-current** | **49,188** | 42,009 |

Current inventory balance includes a provision for losses in finished products and materials and spare parts of US$1,685,000 (2020: US$7,456,000) and work in progress of US$998,000 (2020: US$13,057,000). Non-current inventory balance includes a provision for losses related to work in progress of US$4,383,000 (2020: US$4,690,000).

### Recognition and measurement

Inventories are valued at the lower of cost and net realisable value. Cost is determined primarily on the basis of average costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. The cost of raw materials and consumable stores is the purchase price. The cost of partly-processed and saleable products is generally the cost of production, including:

- Labour costs, materials and contractor expenses which are directly attributable to the extraction and processing of brine.
- The depreciation of mining properties and leases and of property, plant and equipment used in the extraction and processing of brine and production of lithium carbonate.
- Production overheads.

Brine inventory quantities are assessed primarily through surveys and assays. If the brine will not be processed within 12 months after the balance sheet date, it is included within non-current assets.

### Significant judgments and estimates

Certain estimates, including expected brine recoveries and work in progress volumes, are calculated by engineers using available industry, engineering and scientific data. Estimates used are periodically reassessed by the Group taking into account technical analysis and historical performance.

On assessment of the realisable value, the key estimates included the forecast sales price for 2022, the amount of cost left to incur on work in progress and the forecast sales volume for 2022.

## Note 9: Property, plant and equipment

| | Land & buildings | Plant & equipment | Mine properties | Deferred stripping | Work in progress | Total |
|---|---|---|---|---|---|---|
| | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| At cost | 7,914 | 430,542 | 247,322 | 138 | 162,639 | 848,555 |
| Accumulated depreciation | (4,321) | (66,260) | (2,243) | - | - | (72,824) |
| Accumulated impairment | (3,191) | (10,266) | - | (138) | (128) | (13,723) |
| **Total as at 30 June 2020** | 402 | 354,016 | 245,079 | - | 162,511 | 762,008 |
| At cost | **7,212** | **457,237** | **247,322** | **138** | **243,398** | **955,307** |
| Accumulated depreciation | **(3,755)** | **(82,029)** | **(3,892)** | **-** | **-** | **(89,676)** |
| Accumulated impairment | **(3,191)** | **(11,144)** | **-** | **(138)** | **(128)** | **(14,601)** |
| **Total as at 30 June 2021** | **266** | **364,064** | **243,430** | **-** | **243,270** | **851,030** |

Reconciliation of the carrying amounts for property, plant and equipment is set out below:

| | Note | 2021 US$'000 | 2020 US$'000 |
|---|---|---|---|
| **Balance at the beginning of year** | | **762,008** | 643,730 |
| Additions - cash | | **96,508** | 132,314 |
| Movement in rehabilitation provision | 14b | **4,272** | 5,449 |
| Impairment | 3 | **(878)** | (1,590) |
| Depreciation expense | | **(16,489)** | (12,285) |
| Depreciation capitalised to inventory | | **(948)** | (9,937) |
| Capitalised interest | | **6,502** | 4,287 |
| Capitalised share-based payments | | **55** | 40 |
| **Balance at the end of year** | | **851,030** | 762,008 |

### Recognition and measurement

Tangible property, plant and equipment assets are stated at acquisition cost, net of the related accumulated depreciation, amortisation and impairment losses. Cost includes expenditure directly attributable to the acquisition and commissioning of the asset. Land is not depreciated. Costs attributable to assets under construction are only capitalised when it is probable that future economic benefits associated with the asset will flow to the Group and the costs can be measured reliably.

Assets are depreciated or amortised from the date of acquisition or from the time an asset is completed and held ready for use. The useful lives used for the depreciation and amortisation of assets are presented below:

Buildings and infrastructure: 20 to 30 years
Plant: 5 to 30 years
Mining extraction equipment: Units of production
Mine properties: Units of production

The depreciation and amortisation rates are reviewed annually and adjusted if appropriate. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

## Note 10: Intangible assets

| **Software** | 2021 US$'000 | 2020 US$'000 |
|---|---|---|
| At cost | **1,240** | 1,196 |
| Accumulated amortisation | **(513)** | (299) |
| **Total at 30 June** | **727** | 897 |

## Note 10: Intangible assets (continued)

| | 2021<br>US$'000 | 2020<br>US$'000 |
|---|---|---|
| **Balance at the beginning of the year** | **897** | 920 |
| Additions | **44** | 156 |
| Amortisation expense | **(214)** | (179) |
| **Balance at the end of year** | **727** | 897 |

### Recognition and measurement

Intangible assets are stated at acquisition cost, net of the related accumulated amortisation and impairment losses that they might have experienced. Cost includes expenditure directly attributable to the acquisition and commissioning the asset.

The useful lives used for the amortisation of software are 3 to 5 years.

## Note 11: Exploration, evaluation and development assets

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

| | Note | 2021<br>US$'000 | 2020<br>US$'000 |
|---|---|---|---|
| **Movement in exploration and evaluation assets - at cost:** | | | |
| Balance at beginning of year | | **44,762** | 11,833 |
| Capitalised exploration expenditure | | **1,105** | 4,623 |
| Additions - asset acquisition | 28 | **-** | 31,399 |
| Impairment | | **-** | (3,093) |
| **Balance at the end of year** | | **45,867** | 44,762 |

### Recognition and measurement

Exploration and evaluation 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 or sale. 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 using a units of production method.

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. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off to profit or loss in the period when the new information becomes available.

## Note 12: Leases

### The balance sheet shows the following amounts relating to leases:

| **Right-of-use assets** | Land and buildings<br>US$'000 | Plant & equipment<br>US$'000 | Total<br>US$'000 |
|---|---|---|---|
| At cost | 1,878 | 28,659 | 30,537 |
| Accumulated depreciation | (498) | (2,545) | (3,043) |
| **Total as at 30 June 2020** | 1,380 | 26,114 | 27,494 |
| At cost | **1,882** | **32,656** | **34,538** |
| Accumulated depreciation | **(956)** | **(5,527)** | **(6,483)** |
| **Total as at 30 June 2021** | **926** | **27,129** | **28,055** |

Additions to the right-of-use assets during the 2021 financial year were US$4,002,000 (2020: US$28,557,000).

## Note 12: Leases (continued)

| Lease liabilities | 2021 US$'000 | 2020 US$'000 |
|---|---|---|
| **Balance at the beginning of the year** | **31,305** | 1,979 |
| Additions/modifications | **4,002** | 28,558 |
| Accretion of interest - expense | **2,576** | 2,170 |
| Accretion of interest - capitalised to PP&E | **1,044** | 941 |
| Lease payments | **(3,323)** | (2,287) |
| Other | **81** | (56) |
| **Balance at the end of the year** | **35,685** | 31,305 |

| | 2021 US$'000 | 2020 US$'000 |
|---|---|---|
| Not later than 1 year | **2,562** | 2,547 |
| Later than 1 year and not later than 5 years | **12,914** | 19,443 |
| Later than 5 years | **20,209** | 9,315 |
| **Balance at 30 June** | **35,685** | 31,305 |

### Amounts recognised in the statement of profit or loss:

| Depreciation charge for right-of-use assets | 2021 US$'000 | 2020 US$'000 |
|---|---|---|
| Land and buildings | (310) | (498) |
| Plant & equipment | (1,746) | (921) |
| **Total depreciation charge** | **(2,056)** | (1,419) |

Total cash outflow for leases in 2021 was US$3,323,000 (2020: US$2,287,000)

### Accounting for the Group's leasing activities

The group leases various offices, warehouses, equipment, power generator and vehicles. Rental contracts are typically made for fixed periods of 6 months to 8 years but may have extension options as described below.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group recognises right of use assets at the commencement date of the lease, the date the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

## Note 12: Leases (continued)

Extension and termination options are included in a number of property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

## Note 13: Trade and other payables

| | Note | 2021<br>US$'000 | 2020<br>US$'000 |
|---|---|---|---|
| **Current** | | | |
| Trade payables and accrued expenses [i] | | **26,438** | 29,228 |
| Advance payments from customers | | **7,518** | - |
| Interest payable | | **1,803** | 2,449 |
| Interest payable to a related party | 26a | **-** | 5,279 |
| **Total current** | | **35,759** | 36,956 |
| **Non-current** | | | |
| Other payables and accrued expenses | | **9,890** | 2,547 |
| Interest payable to a related party | 26a | **12,486** | 2,849 |
| **Total non-current** | | **22,376** | 5,396 |

i) The amounts are unsecured and non-interest bearing and generally on 30 to 60 day terms. The carrying amounts approximate fair value.

## Note 14: Provisions

| | Note | 2021<br>US$'000 | 2020<br>US$'000 |
|---|---|---|---|
| Current | | | |
| Employee benefits | 14a | **882** | 710 |
| **Total current** | | **882** | 710 |
| Non-current | | | |
| Employee benefits | 14a | **748** | 726 |
| Provision for rehabilitation | 14b | **33,934** | 32,496 |
| Other provisions | | **175** | 133 |
| **Total non-current** | | **34,857** | **33,355** |

### 14a) Employee benefits

| | 2021<br>US$'000 | 2020<br>US$'000 |
|---|---|---|
| Annual leave | **592** | 442 |
| Long service leave | **152** | 130 |
| Borax Argentina S.A. defined benefit pension plan [i] | **886** | 864 |
| **Total** | **1,630** | 1,436 |

i) Borax Argentina S.A. had a defined benefit pension plan in Argentina. During the 2015 financial year such plan was discontinued. The remaining liability reflects the obligation with respect to former employees.

### 14b) Rehabilitation provision

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

## Note 14: Provisions (continued)

### 14b) Rehabilitation provision (continued)

| | Note | 2021 US$'000 | 2020 US$'000 |
|---|---|---|---|
| **Balance at the beginning of year** | | **32,496** | 26,503 |
| Additions reflected in PPE | 9 | **1,842** | 4,419 |
| Changes in assumptions reflected in PPE | 9 | **2,430** | 1,030 |
| Changes in assumptions reflected in other income | 2a | **(3,504)** | - |
| Foreign currency translation movement | | **302** | 14 |
| Unwinding of the rehabilitation provision | 2f | **368** | 530 |
| **Balance at the end of year** | | **33,934** | 32,496 |

The Group has recognised a provision for rehabilitation obligations associated with Borax Argentina S.A.'s and Sales de Jujuy S.A's. operations.

The rehabilitation provision for Borax was independently valued during the year to determine the nature and scope of work required on the site of their operations at the mine closure date which resulted in a reduction in the liability of US$3,504,000 (2020: nil). This changes is recognised reflected in other income in the consolidated statement pf profit or loss as the Borax assets have been impaired in full.

Additions of US$1,842,000 (2020: US$4,419,000) to the rehabilitation provision were recognised for Olaroz's stage 2 expansion works that were completed in current year.

### Recognition and measurement

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

**Employee benefits**

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

**Long service leave**

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

**Environmental protection, rehabilitation and closure costs**

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

## Note 14: Provisions (continued)

**Significant judgements and estimates**

The Group has recognised a provision for rehabilitation obligations associated with Borax Argentina S.A.'s and Sales de Jujuy S.A.'s operations. In determining the present value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the plant from the site and the expected timing of those costs.

## 15: Equity and reserves

Reconciliation of the movement in ordinary share capital is set out below:

| | Note | 2021 No. shares | 2020 No. shares | 2021 US$'000 | 2020 US$'000 |
|---|---|---|---|---|---|
| Fully paid ordinary shares | | **344,158,072** | 277,092,327 | **668,512** | 548,462 |

| | Note | 2021 No. shares | 2020 No. shares | 2021 US$'000 | 2020 US$'000 |
|---|---|---|---|---|---|
| **Balance at the beginning of year** | | **277,092,327** | 261,678,074 | **548,462** | 527,716 |
| Performance rights exercised i) | 19 | 114,516 | 232,818 | - | - |
| Shares issued, net of transactions costs ii) | | 66,951,229 | 15,181,435 | 120,050 | 20,746 |
| **Balance at the end of year** | | **344,158,072** | 277,092,327 | **668,512** | 548,462 |

i) Represents performance rights and options exercised under the Company's share-based payments plans and executive service agreements. Refer to Note 19 for share-based payments.
ii) Transaction costs (net of tax) for the shares issued during the year were US$3,706,000 (2020: nil).

On 2 September 2020, 50,046,288 ordinary shares were issued under an equity raise. The new shares were issued at US$1.87 (AU$2.52). On 2 October 2020, 16,904,941 ordinary shares were issued under the Share Purchase Plan. The new shares were issued at US$1.79 (AU$2.52).

### Recognition and measurement

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.

#### 15b) Reserves

| | Note | Share-based payments US$'000 | Cashflow hedge US$'000 | Foreign currency translation US$'000 | Other US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| Balance as at 1 July 2019 | | 6,352 | (1,598) | (36,496) | (434) | (32,176) |
| Translation gains on foreign operations | | - | - | 1,043 | - | 1,043 |
| Cashflow hedge through OCI | | - | (764) | - | - | (764) |
| Share of associate OCI | 22 | - | - | - | 31 | 31 |
| Other comprehensive income/(loss) | | - | (764) | 1,043 | 31 | 310 |
| Share-based payments | | 1,477 | - | - | - | 1,477 |
| Transfer of retained earnings to legal & discretionary reserve i) | | - | - | - | 13,356 | 13,356 |
| Realisation of OCI to retained earnings | | - | - | - | 427 | 427 |
| Other movements | | - | - | - | (2) | (2) |
| Balance as at 30 June 2020 | | 7,829 | (2,362) | (35,453) | 13,378 | (16,608) |
| Balance as at 1 July 2020 | | **7,829** | **(2,362)** | **(35,453)** | **13,378** | **(16,608)** |
| Translation gains on foreign operations | | **-** | **-** | **1,412** | **-** | **1,412** |
| Cashflow hedge through OCI | | **-** | **1,436** | **-** | **-** | **1,436** |
| Other comprehensive income/(loss) | | **-** | **1,436** | **1,412** | **-** | **2,848** |
| Share-based payments | | **1,902** | **-** | **-** | **-** | **1,902** |
| Other movements | | **-** | **-** | **-** | **(806)** | **(806)** |
| **Balance as at 30 June 2021** | | **9,731** | **(926)** | **(34,041)** | **12,572** | **(12,664)** |

## 15: Equity and reserves (continued)

i) The transfer of retained earnings to the legal and discretionary reserve was completed in the prior period in accordance local Argentine corporate law and approved at the SDJ SA AGM.

A legal reserve must be created of not less than 5% of the realised and liquid profits from the income statement for the year until reaching 20% of the capital of the entity. As at the prior period end the balance was US$991,000 including NCI and US$659,000 excluding NCI which was transferred from retained earnings. A discretionary reserve was also created as dividends were not paid. During the prior period an amount of US$19,092,000 including NCI and US$12,697,000 excluding NCI was transferred from retained earnings. The amount of the discretionary reserve as at 30 June 2021 was US$18,837,000 including NCI and US$12,527,000 excluding NCI.

## Nature and purpose of reserves

### Share-based payments reserve

The share-based payments reserve represents the fair value of share-based remuneration provided to employees.

### Foreign currency translation reserve

The foreign currency translation reserve (FCTR) records exchange differences arising on translation of foreign controlled subsidiaries and investments in associates with a functional currency other than USD. Equity of the Parent entity is translated at historical rates of exchange prevailing on the date of each transaction.

### Cashflow hedge reserve

The cashflow hedge reserve records the revaluation of derivative financial instruments that are designated cashflow hedges and are recognised under other comprehensive income. Amounts are recognised in the income statement when the associated hedge transactions affect the income statement.

## Note 16: Net debt

| | Interest rate | Maturity | **2021**<br>**US$'000** | 2020<br>US$'000 |
|---|---|---|---|---|
| Current | | | | |
| Loans & borrowings - project loan A) | LIBOR + 0.80% | 2022 | **18,806** | 20,725 |
| Loans & borrowings - working capital facility B) | 8.75% (USD) - 45.5% (ARS) | 2022 | **15,877** | 28,005 |
| Related party loans C) | | | **-** | 13,667 |
| **Total current** | | | **34,683** | 62,397 |
| Non-current | | | | |
| Loans & borrowings - project loan A) | LIBOR + 0.8% - 2.61% | 2023-2029 | **192,296** | 112,798 |
| Related party loans C) | | | **73,982** | 44,815 |
| **Total non-current** | | | **266,278** | 157,613 |
| | | | | |
| **Total debt** | | | **300,961** | 220,010 |
| Cash at bank and on hand | | | **(25,647)** | (30,776) |
| Short term deposits D) | | | **(232,672)** | (141,060) |
| Total cash and cash equivalents | | | **(258,319)** | (171,836) |
| Financial assets - non-current E) | | | **(16,356)** | (17,171) |
| **Net debt** | | | **26,286** | 31,003 |
| Equity | | | **725,091** | 690,574 |
| **Capital and net debt** | | | **751,377** | 721,577 |
| Gearing ratio | | | **3%** | 4% |

**A)** The total project loan facility for stage 1 is US$191.9 million (2020: US$191.9 million). SDJ PTE has provided security in favour of Mizuho Bank over the shares it owns in SDJ SA and JOGMEC covers 82.35% of the outstanding principal amount. As at 30 June 2021 the stage 1 loan has an outstanding principal balance of US$66.9 million (2020: US$87.6 million). The interest rate for stage 1 is LIBOR + 0.80%. The interest rate related to 88.6% of the loan was hedged in 2015 with such rate currently 4.896% until the last repayment in September 2024. The total project loan facility for stage 2 is US$180 million (2020: US$180 million). US$146 million (2020: US$48 million) has been drawn as at 30 June 2021. The interest rate for stage 2 was LIBOR + 0.94% until March 2021 being the end of the commitment period and an average fixed rate of 2.612% per annum until expiry in March 2029. Repayments commence in September 2022.

The carrying amounts of the loans and borrowings approximate fair value less transaction costs. Fair value has been determined using a discounted cash flow valuation technique based on contractual and expected cashflows and current market interest rates.

## Note 16: Net debt (continued)

**B)** There are 3 working capital facilities of which one is denominated in ARS. Total value of the ARS facility is ARS 776 million (US$8.1 million) (2020: ARS 1.5 billion / US$21.3 million) of which the rate of borrowing is 45.5% per annum for a period of 90 days. The US$ facilities are for US$6.2 million and US$1.5 million (2020: US$6.5 million) and have a borrowing rate of 9.5% and 8.75% per annum respectively for a period of 90 days. The facilities continued to be rolled as required.

**C)** Loan repayable to a related party – TTC and other associated entities
Non-current loans owing to related parties is US$73.9 million (2020: US$44.8 million). US$50.1 million (2020: US$33 million) is interest-bearing at LIBOR + 6% (2020: LIBOR + 6%) per annum and will be repaid in full prior to July 2028. US$23.6 million (2020: US$11.5 million) is interest-bearing at LIBOR + 6% (2020: LIBOR + 6%) and will be repaid in full prior to July 2030. US$273,000 (2020: US$273,000) is interest-bearing at LIBOR + 0.75% (LIBOR + 0.75%) per annum and will be repaid in full prior to July 2028.

The loans repayable to TTC at 30 June 2020 have been restructured during the year. Based on the new term dates, these loans have been reclassified from current to non-current. A further loan drawdown from TTC during the year totalled US$14.7 million (2020: nil).

**D)** The effective interest rate on USD denominated short term deposits was 0.74% p.a. (2020: 1.62% p.a.). Short term deposits held at 30 June 2021 relate to project financing, rental and other security deposits. Short term deposits can be readily converted to cash with notice to the relevant financial institution with no substantial penalty.

Cash and short-term deposits are disclosed in the cash flow statement, net of bank overdrafts. An amount of US$11.1 million (2020: US$11.1 million) and US$109.5 million (2020: US$36 million) have been set aside as reserves to provide cash backing for guarantees provided by TTC for the Naraha debt facility and the stage 2 debt facility, respectively. In agreement with TTC, US$135 million (2020: US$135 million) of cash is to be reserved to support pre completion guarantees provided by TTC in relation to the stage 2 loan facility of US$180 million (2020: US$180 million). Amounts are reserved as the debt facilities are drawn down. Of the maximum reserve funds of US$135 million up to US$60 million (2020: US$60 million) can be used to fund stage 1 activities. The remaining US$75 million (2020: US$ 75 million) of the reserved funds plus any of the unused US$60 million can be used to fund cost overruns, VAT and working capital spend. Orocobre will pay TTC 2.5% per annum on any funds used out of the US$135 million. All funds held in reserve accounts are controlled by Orocobre. The requirement to maintain reserve accounts will cease once TTC is no longer required to provide pre completion guarantees. Upon completion when specific milestones are attained JOGMEC will guarantee 82.35% of such loan and hence the US$135 million facility will be reduced by such percentage and become unrestricted funds.

**E)** The non-current financial assets are long term cash deposits funded by shareholders to partially secure borrowings of the Group. These deposits are interest bearing and are generally held until the borrowings have been repaid. The carrying value approximates fair value.

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

### Capital management

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

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

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

No changes were made in the objectives, policies or processes for managing capital during the financial year.

### Recognition and measurement

#### Cash and cash equivalents

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

#### Loans and borrowings

Borrowings are initially recognised at fair value net of transaction costs. Interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method (EIR). Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss.

## Note 16: Net debt (continued)

Borrowing costs which are directly attributable to the construction of a qualifying asset are capitalised during the period of time that is required to complete the asset for its intended use. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the specific debt relating to the asset 2.27% (2020: 4.78%).

## Note 17: Derivative financial liabilities

| | **2021** | 2020 |
|---|---|---|
| | **US$'000** | US$'000 |
| **Current** | | |
| Derivatives - interest rate swap [i] | **2,624** | 2,899 |
| **Total current** | **2,624** | 2,899 |
| **Non-current** | | |
| Derivatives - interest rate swap [i] | **2,746** | 5,461 |
| **Total non-current** | **2,746** | 5,461 |

i) Derivatives – designated as hedging instruments

During financial year 2014 a swap was entered into by Sales de Jujuy S.A. in order to manage interest rate exposure on the project debt which bears interest rate at LIBOR +0.8%. The swap has been designated in a hedge relationship and hedge accounting has been adopted.

The interest rate swap receives floating interest equal to LIBOR, pays a fixed rate of interest of 4.896% per annum (2020: 4.896% per annum) and matures on 10 September 2024.

The fair value of the interest rate swap is calculated as the present value of the estimated future cash flows based on observable yield curves (Level 2).

### Recognition and measurement

**Derivative financial instruments and hedge accounting**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of the cashflows of recognised assets and liabilities, and highly probable forecast transactions (cashflow hedges).

At inception, the Group documents the relationship between hedging instruments and hedged items, the risk management objective and the strategy for undertaking various hedge transactions.

The Group, at inception and on an ongoing basis, documents its assessment of whether the derivatives used in hedging transactions have been, and will continue to be, highly effective in offsetting future cashflows of hedged items. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

The fair values of derivative financial instruments used for hedging purposes are disclosed in this section. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

**Cashflow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income, and accumulated in reserves in equity limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. Ineffectiveness is recognised on a cash flow hedge where the cumulative change in the designated component value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk. Ineffectiveness may arise where the timing of the transaction changes from what was originally estimated, or differences arise between credit risk inherent within the hedged item and the hedging instrument. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense. When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in

## Note 17: Derivative financial liabilities (continued)

equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for at the time of the hedge relationship rebalancing.

## Note 18: Financial risk management

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

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

### Risk management policies

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.

### 18a) Market risk

Market risk is the risk adverse movements in foreign exchange and or interest rates will affect the Group's financial performance or the value of its holdings of financial instruments. The objective of risk management is to manage the market risks inherent in the business to protect the profitability and return on assets.

#### i) 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 reasonably possible changes in market interest rates arises in relation to the Group's cash and debt balances. This risk is managed through the renewal of the hedge portion of stage 1 debt by the use of interest rate swaps and fixed term deposits. At reporting date, the Group has net exposure of (US$16,603,000) (2020: (US$29,441,000)) to interest rate risk.

During the year, the net realised loss arising from interest rate hedging activities for the Group was US$2,159,000 (2020: US$1,065,000) as a result of market interest rates closing lower than the average hedged rate. The total realised loss represents the effective portion of the hedge which has been recognised in interest expense.

#### Interest rate sensitivity

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

| | **2021** | 2020 |
|---|---|---|
| | **US$'000** | US$'000 |
| Effect on profit after tax and equity as a result of a: | | |
| 1% +/- reasonably possible change in interest rates | **(116)** | (206) |

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment. The debt repayments to a related party are either fixed interest or the interest is being capitalised as part of the expansion project, refer to note 16.

#### ii) Foreign currency risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk arising from currency exposures to Australian Dollar (AUD) and ARS, arising from the purchase of goods and services and receivables. The Group does not currently undertake any hedging of foreign currency items.

#### Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the AUD and ARS exchange rates relative to the US$, with all other variables held constant. The impact on the Group's profit after tax and equity is due to changes in the fair value of monetary assets and liabilities.

## Note 18: Financial risk management (continued)

### a) Market risk (continued)

| | 2021 | 2020 |
|---|---|---|
| | **US$'000** | US$'000 |
| Effect on profit after tax and equity as a result of a: | | |
| 50% +/- reasonably possible change in US$ (vs ARS) | **(4,370)** | (3,859) |
| 10% +/- reasonably possible change in US$ (vs AU$) | **(485)** | (109) |

#### iii) Market role commodity price risk

Orocobre's lithium and boron chemicals are sold into global markets. The market prices of lithium and boron are key drivers of the Group's capacity to generate cashflow.

The prices of lithium chemicals have fluctuated widely in recent years and are affected by factors beyond the control of the Group including, but not limited to, the relationship between global supply and demand for lithium chemicals which may be affected by, but not limited to, development and commercial acceptance of lithium based applications and technologies and/or the introduction of new technologies that may not be based on lithium, forward selling by producers, the cost of production, new mine developments and mine closures, advances in various production technologies for such minerals and general global economic conditions. The prices of lithium and other commodities can also be affected by the outlook for inflation, interest rates, currency exchange rates and supply and demand issues. Also, major lithium producers may attempt to sell lithium products at artificially low prices in order to drive new entrants out of the market. These factors may have an adverse effect on the Group's production, development and exploration activities, as well as its ability to fund its future activities. All sales contracts are agreed in USD or USD equivalent prices and forward contracts are agreed for periods of 6-36 months.

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

#### iv) Effects of hedge accounting on the consolidated balance sheet and consolidated profit and loss

The impact of hedging instruments designated in hedging relationships on the consolidated statement of financial position is as follows:

| | Notional amount | | Carrying amount assets/(liability) (Note 17) | | Change in fair value used for measuring ineffectiveness | |
|---|---|---|---|---|---|---|
| Cash flow hedges | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 |
| Interest rate risk | **US$'000** | US$'000 | **US$'000** | US$'000 | **US$'000** | US$'000 |
| Interest rate swaps | **59,245** | 77,605 | **(5,370)** | (8,360) | **2,990** | (905) |

The impact of hedged items designated in hedging relationships on the consolidated statement of financial position is as follows:

| | Cashflow hedge reserve | | Change in fair value used for measuring ineffectiveness | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| Cash flow hedge (before tax) | **US$'000** | US$'000 | **US$'000** | US$'000 |
| Forecast floating interest payments | **(926)** | (2,362) | **2,990** | (905) |

The interest rate swaps have a hedge ratio of 1:1 (2020: 1:1). A hedging gain of US$2,159,000 (2020: loss of US$1,019,000) was recognised in other comprehensive income. US$2,924,000 (2020: US$3,118,000) was reclassified from other comprehensive income to finance costs in the profit and loss. Material ineffectiveness related to cashflow hedges was not recognised.

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

## Note 18: Financial risk management (continued)

### 18b) Liquidity risk

| | Within 12 months | 1 to 5 years | Over 5 years | Total | Carrying amount |
|---|---|---|---|---|---|
| | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| Payables | **35,759** | **22,376** | **-** | **58,135** | **58,135** |
| Loans and borrowings | **36,882** | **161,743** | **207,895** | **406,520** | **300,961** |
| Lease liabilities | **6,014** | **23,511** | **32,458** | **61,983** | **35,685** |
| Derivatives - Interest Rate Swap | **2,624** | **2,746** | **-** | **5,370** | **5,370** |
| **Total as at 30 June 2021** | **81,279** | **210,376** | **240,353** | **532,008** | **400,151** |
| Payables | 36,956 | 5,396 | - | 42,352 | 42,352 |
| Loans and borrowings | 68,348 | 146,125 | 143,317 | 357,790 | 220,010 |
| Lease liabilities | 5,122 | 27,990 | 17,477 | 50,589 | 31,305 |
| Derivatives - Interest Rate Swap | 2,903 | 5,490 | - | 8,393 | 8,393 |
| Total as at 30 June 2020 | 113,329 | 185,001 | 160,794 | 459,124 | 302,060 |

### 18c) Credit risk

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

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.

Customer credit risk is managed by each business unit subject to the Group's procedures and controls relating to customer credit risk management. Outstanding customer receivables are regularly reviewed. An impairment analysis is performed at each reporting date by assessing the expected credit loss customers with outstanding balances. The provision rates are based on historic experience, customer profile and economic conditions. Generally, trade receivables are written-off if past due for more than one year. The Company has considered the impact of COVID-19 on customers as part of the analysis. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 6. The Group does not hold collateral as security. As at 30 June 2021, the group had provisions of US$304,000 (2020: US$341,000) for expected credit loss.

Credit risk on cash transactions and derivative contracts is managed through the Board approval. The Group's net exposures and the credit ratings of its counterparties are regularly confirmed.

### 18d) Fair values

The fair value of cash, cash equivalents and non-interest-bearing financial assets and liabilities approximates their carrying value due to their short maturity. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined using valuation techniques. These valuation techniques maximise the use of observable market data where available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The Group measures and recognises interest rate swaps at fair value on a recurring basis.

The fair value of interest rate swaps has been determined as the net present value of contracted cashflows. These values have been adjusted to reflect the credit risk of the Group and relevant counterparties, depending on whether the instrument is a financial asset or a financial liability. The existing exposure method, which discounts estimated future cash flows to present value using credit adjusted discount factors.

The fair value of non-current borrowings is estimated by discounting the future contractual cash flows at the current market interest rates that are available to Orocobre for similar financial instruments. For the period ended 30 June 2021 the borrowing rates were determined to be between 2.4% to 9% for (2020: 2.4% to 8%) for USD denominated debt and 45.5% (2020: 55%) for ARS denominated debt.

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

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

## Note 18: Financial risk management (continued)
### d) Fair values (continued)

| Financial assets | | Carrying Amount | | Fair Value | |
|---|---|---|---|---|---|
| | | **2021** | 2020 | **2021** | 2020 |
| | **Note** | **US$'000** | US$'000 | **US$'000** | US$'000 |
| Cash and cash equivalents | 16 | **258,319** | 171,836 | **258,319** | 171,836 |
| Financial assets - non-current | 16 | **16,356** | 17,171 | **16,356** | 17,171 |
| Financial assets at amortised cost: | | | | | |
| Trade and other receivables - current | 6 | **11,280** | 3,388 | **11,280** | 3,388 |
| Trade and other receivables - non-current | 6 | **1,410** | 1,485 | **1,410** | 1,485 |
| Financial assets at fair value: | | | | | |
| VAT tax credits & other tax receivable - current | 6 | **12,195** | 13,015 | **12,195** | 13,015 |
| Receivable from a joint venture party - non-current | 6 | **6,552** | 6,969 | **6,552** | 6,969 |
| VAT tax credits | 6 | **13,966** | 9,970 | **13,966** | 9,970 |
| **Total financial assets** | | **320,078** | 223,834 | **320,078** | 223,834 |

| Financial liabilities | | Carrying Amount | | Fair Value | |
|---|---|---|---|---|---|
| | | **2021** | 2020 | **2021** | 2020 |
| | **Note** | **US$'000** | US$'000 | **US$'000** | US$'000 |
| Financial liabilities | | | | | |
| Financial liabilities at amortised cost: | | | | | |
| Trade and other payables - current | 13 | **35,759** | 36,956 | **35,759** | 36,956 |
| Trade and other payables - non-current | 13 | **22,376** | 5,396 | **22,376** | 5,396 |
| Loans and borrowings - current | 16 | **34,683** | 62,397 | **34,683** | 62,397 |
| Loans and borrowings - non-current | 16 | **266,278** | 157,613 | **266,278** | 157,613 |
| Financial liabilities at fair value: | | | | | |
| Derivatives - interest rate swap | 17 | **5,370** | 8,360 | **5,370** | 8,360 |
| **Total financial liabilities** | | **364,466** | 270,722 | **364,466** | 270,722 |

Changes in liabilities arising from financing activities:

| | **Note** | **1 July 2020 US$'000** | **Cashflow US$'000** | **Other US$'000** | **30 June 2021 US$'000** |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| Current | | | | | |
| Loans and borrowings | 16 | **62,397** | **(29,845)** | **2,131** | **34,683** |
| Lease liabilities | 12 | **2,654** | **(3,323)** | **3,231** | **2,562** |
| Non-current | | | | - | |
| Loans and borrowings | 16 | **157,613** | **112,771** | **(4,106)** | **266,278** |
| Lease liabilities | 12 | **28,651** | - | **4,472** | **33,123** |
| **Total financial liabilities arising from financing activities** | | **251,315** | **79,603** | **5,728** | **336,646** |

| | Note | 1 July 2019 US$'000 | Cashflow US$'000 | Other US$'000 | 30 June 2020 US$'000 |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| Current | | | | | |
| Loans and borrowings | 16 | 76,695 | (56,351) | 42,053 | 62,397 |
| Lease liabilities | 12 | 601 | (2,287) | 4,340 | 2,654 |
| Non-current | | | | | |
| Loans and borrowings | 16 | 103,387 | 97,577 | (43,351) | 157,613 |
| Lease liabilities | 12 | 1,378 | - | 27,273 | 28,651 |
| Total financial liabilities arising from financing activities | | 182,061 | 38,939 | 30,315 | 251,315 |

## Note 19: Share-based payments

### Options and performance rights

**Performance Rights & Option Plan (PROP)**

Under the Performance Rights & Option Plan (PROP), awards are made to executives and employees who have an impact on the Group's performance and are delivered in the form of options and rights.

Performance Rights (PRs) awarded under the PROP vest over a period of 3 years and are subject to the following Total Shareholder Return (TSR) outperformance conditions, and continuous service until the vesting date.

| TSR performance condition (absolute, 50%) | Proportion of PROP which vest [2] |
|---|---|
| If TSR falls below 7.5% return per annum | None of the performance rights vest |
| If TSR lies between 7.5% and 10% return per annum | 50% of the performance rights vest |
| If TSR lies between 10% and 12.5% return per annum | 75% of the performance rights vest |
| If TSR lies at or above the 12.5% return per annum | 100% the performance rights vest |
| **TSR performance condition (relative, 50%) [1]** | **Proportion of PROP which vest [2]** |
| Less than 50th percentile | None of the performance rights vest |
| Equal to or greater than 50th percentile | 50% of the performance rights vest |
| Greater than 75th percentile | 100% of the performance rights vest |

1 TSR performance condition over the measurement period relative to the constituent companies of the ASX 300 Resources Index subject to the thresholds.

2 Interpolated vesting on a straight line

Movements in the year are:

| Grant Date | Vesting date | Expiry date | Exercise price (AU$) | 2020 No. | Granted No. | Exercised No. | Forfeited/ lapsed No. | 2021 No. |
|---|---|---|---|---|---|---|---|---|
| 2 Mar 2018 | 31 Aug 2020 | 30 Sep 2020 | - | 394,211 | - | - | (394,211) | - |
| 11 June 2019 | 31 Aug 2021 | 30 Sep 2021 | - | 550,472 | - | - | (38,726) | **511,746** |
| 22 Nov 2019 | 31 Aug 2021 | 30 Sep 2021 | - | 87,524 | - | - | - | **87,524** |
| 11 Mar 2020 | 31 Aug 2022 | 30 Sep 2022 | - | 1,385,273 | - | - | (85,216) | **1,300,057** |
| 21 Sep 2020 | 1 July 2021 | 1 Aug 2021 | - | - | 159,542 | - | - | **159,542** |
| 12 Nov 2020 | 12 Nov 2020 | - | - | - | 114,516 | (114,516) | - | - |
| 13 Nov 2020 | 1 July 2021 | 1 Aug 2021 | - | - | 38,108 | - | - | **38,108** |
| 13 Nov 2020 | 31 Aug 2023 | 30 Sep 2023 | - | - | 228,649 | - | - | **228,649** |
| 17 Dec 2020 | 31 Aug 2023 | 30 Sep 2023 | - | - | 1,076,308 | - | (17,888) | **1,058,420** |
| 1 Apr 2021 | 31 Mar 2022 | 30 Apr 2022 | - | - | 139,500 | - | - | **139,500** |
| **Total performance rights** | | | | **2,417,480** | **1,756,623** | **(114,516)** | **(536,041)** | **3,523,546** |

During the year, 114,516 PRs (vesting 12 November 2020), 38,108 PRs (vesting 1 July 2021) and 228,649 PRs (vesting 31 August 2023) were granted to the CEO. This resulted in the exercising of 114,516 PRs. Refer to the remuneration report for full details.

1,076,308 PRs were granted in December 2020 pursuant to the Company's PROP for nil consideration. PRs are exercisable at AU$0.00 each with 1,058,420 vesting on 31 August 2023, subject to the above thresholds.

139,500 PRs were granted in April 2021 to employees in Argentina as a bonus for challenges arising from operating in a COVID-19 environment for nil consideration. PRs are exercisable at AU$0.00 each, with 139,500 vesting on 31 March 2022, providing continuous employment is maintained.

159,542 and 38,108 PRs were granted during the year for the FY20 STI and were issued for nil consideration. They are exercisable at AU$0.00 and vest on 1 July 2021 providing continuous employment is maintained.

All PRs granted are over ordinary shares, which confer a right of one ordinary share per PR. The PRs hold no voting or dividend rights. At the end of the financial year there are 1,140,520 PRs on issue to KMP (2020: 775,582).

At the date of issue, the weighted average share price of PRs granted in the current year was AU$4.41 (2020: AU$2.32). The PRs outstanding at 30 June 2021 had a weighted average exercise price of AU$0.00 (2020: AU$0.00) and a weighted average remaining contractual life of 1.36 years (2020: 1.66 years).

## Note 19: Share-based payments (continued)

The weighted average fair value of options and PRs granted during the year was AU$2.72 (2020: AU$1.25).

The fair value of PRs granted is deemed to represent the value of the employee services received over the vesting period. The fair value of equity settled PRs are estimated at the date of grant using a Monte Carlo Simulation with the following inputs (taking into account the performance conditions described above):

| Year of issue | 2019 - PROP | 2019 - PROP | 2019 - PROP | 2019 - PROP | 2020 - PROP |
|---|---|---|---|---|---|
| Grant date | 11-Jun-19 | 11-Jun-19 | 22-Nov-19 | 22-Nov-19 | 11-Mar-20 |
| Number issued | 363,861 | 363,861 | 43,762 | 43,762 | 692,637 |
| Fair value at grant date (AU$) | 1.78 | 1.14 | 0.83 | 0.45 | 1.75 |
| Share price (AU$) | 3.23 | 3.23 | 2.56 | 2.56 | 2.26 |
| Exercise price (AU$) | - | - | - | - | - |
| Expected volatility | 47.00% | 47.00% | 48.00% | 48.00% | 49.00% |
| Right's life | 3 years | 3 years | 3 years | 3 years | 3 years |
| Expected dividends | - | - | - | - | - |
| Risk-free interest rate | 1.06% | 1.06% | 0.77% | 0.77% | 0.41% |

| Year of issue | 2020 - PROP | 2021 - PROP | 2021 - PROP | 2021 - PROP | 2021 - PROP |
|---|---|---|---|---|---|
| Grant date | 11-Mar-20 | 13-Nov-20 | 13-Nov-20 | 17-Dec-20 | 17-Dec-20 |
| Number issued | 692,636 | 114,325 | 114,324 | 538,154 | 538,154 |
| Fair value at grant date (AU$) | 1.15 | 1.79 | 2.20 | 3.25 | 3.60 |
| Share price (AU$) | 2.26 | 2.97 | 2.97 | 4.31 | 4.31 |
| Exercise price (AU$) | - | - | - | - | |
| Expected volatility | 49.00% | 52.00% | 52.00% | 53.00% | 53.00% |
| Right's life | 3 years | 3 years | 3 years | 3 years | 3 years |
| Expected dividends | - | - | - | - | - |
| Risk-free interest rate | 0.41% | 0.11% | 0.11% | 0.10% | 0.10% |

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

The total expense arising from share-based payment transactions recognised during the period as part of employee benefit expense was US$1,902,000 (2020: US$1,477,000). US$55,000 (2020: US$40,000) was capitalised to property, plant and equipment (Note 9).

### Recognition and measurement

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 5).

### Significant judgements and estimates

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

## Note 20: Information relating to subsidiaries

The consolidated financial statements of the Group include:

| Entity Name | Country of incorporation & principal place of business | % equity interest held by the Group | |
|---|---|---|---|
| | | **2021** | 2020 |
| Borax Argentina Holding No 1 Pty Ltd | Australia | **100.00** | 100.00 |
| Borax Argentina Holding No 2 Pty Ltd | Australia | **100.00** | 100.00 |
| Borax Argentina S.A. | Argentina | **100.00** | 100.00 |
| Sales De Jujuy Pte Ltd | Singapore | **72.68** | 72.68 |
| Sales De Jujuy S.A. | Argentina | **66.50** | 66.50 |
| Borax Brasil Pelstras E Conferencias Ltda | Brazil | **100.00** | 100.00 |
| La Frontera Minerals S.A. | Argentina | **100.00** | 85.00 |
| Olaroz Lithium S.A. | Argentina | **100.00** | 100.00 |
| El Trigal S.A. | Argentina | **100.00** | 100.00 |
| Los Andes Compañía Minera S.A. | Argentina | **66.81** | 66.81 |
| A.C.N. 646 148 754 Pty Ltd (formerly Advantage Lithium Corp.) [i)] | Australia | **100.00** | 100.00 |
| Advantage Lithium S.A. | Argentina | **85.00** | 100.00 |
| South American Salar Minerals Pty Ltd | Australia | **100.00** | 100.00 |
| South American Salar S.A. | Argentina | **100.00** | 100.00 |

i) Advantage Lithium Corp. migrated from Canada to Australia in February 2021.

### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2021.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

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

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## Note 21: Material partly owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below. The group has an interest of 72.68% in Sales de Jujuy Pte Ltd and 66.5% in Sales de Jujuy S.A. The operations of the business are located in Argentina.

The summarised financial information of the subsidiaries is provided below. This information is based on amounts before inter-company eliminations and include fair value from the business combination.

## Note 21: Material partly owned subsidiaries (continued)

Summarised statement of profit and loss for the year ended 30 June 2021:

| | 2021 | 2020 |
|---|---|---|
| | US$'000 | US$'000 |
| Revenue | **66,370** | 58,042 |
| Cost of sales | **(24,950)** | (57,847) |
| **Gross profit** | **41,420** | 195 |
| Corporate and administrative costs | **(8,864)** | (9,307) |
| Selling costs | **(2,966)** | (3,165) |
| Net finance costs | **(29,739)** | (22,793) |
| Depreciation | **(18,294)** | (13,255) |
| Foreign exchange | **(3,946)** | (6,829) |
| **Loss before income tax** | **(22,389)** | (55,154) |
| Income tax expense | **(67,940)** | 9,851 |
| **Loss for the year from continuing operations** | **(90,329)** | (45,303) |
| Other comprehensive income | **1,435** | 762 |
| **Total comprehensive loss** | **(88,894)** | (44,541) |
| Loss attributable to non-controlling interests | **(29,371)** | (14,913) |

Summarised statement of financial position as at 30 June 2021:

| | 2021 | 2020 |
|---|---|---|
| | US$'000 | US$'000 |
| Current assets | **82,726** | 65,366 |
| Non-current assets | **974,214** | 866,683 |
| **Total assets** | **1,056,940** | 932,049 |
| Current liabilities | **70,587** | 158,722 |
| Non-current liabilities | **802,934** | 501,888 |
| **Total labilities** | **873,521** | 660,610 |
| **Net assets** | **183,419** | 271,439 |
| **Total equity** | **183,419** | 271,439 |
| **Attributable to:** | | |
| Equity holders of the parent | **125,064** | 183,995 |
| Non-controlling interest | **58,355** | 87,444 |
| | **183,419** | 271,439 |

## Note 22: Investment in associates

| | | % equity interest held by the Group | |
|---|---|---|---|
| **Entity Name** | **Country of incorporation & principal place of business** | **2021** | 2020 |
| Toyotsu Lithium Corporation (TLC) | Japan | **75.00** | 75.00 |

Prior to the Group acquiring 100% of Advantage Lithium Limited (AAL) on 17 April 2020, the Group owned 33.30% of AAL and accounted for this investment as an associate.

## Note 22: Investment in associates (continued)

Reconciliation of the movement in investment in associates is set out below:

| | AAL | | TLC | | Total | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 | **US$'000** | US$'000 |
| Balance at the beginning of year | - | 21,972 | **6,000** | 6,807 | **6,000** | 28,779 |
| Purchase of shares - paid in cash | - | 1,178 | - | - | - | 1,178 |
| Loss from equity accounted investment in associates | - | (704) | **(1,682)** | (803) | **(1,682)** | (1,507) |
| Fair value of asset through OCI | - | 31 | - | - | - | 31 |
| Foreign currency translation reserve | - | (4) | **(88)** | (4) | **(88)** | (8) |
| Loss on fair value of associates | - | (10,329) | - | - | - | (10,329) |
| Foreign currency loss on impairment | - | (1,170) | - | - | - | (1,170) |
| Purchase of shares - paid with equity | - | 20,610 | - | - | - | 20,610 |
| Transfer to asset acquisition | - | (31,584) | - | - | - | (31,584) |
| **Balance at the end of year** | **-** | - | **4,230** | 6,000 | **4,230** | 6,000 |

### 22a) Advantage Lithium Corp

On 17 April 2020, Orocobre completed the acquisition of 100% of the issued and outstanding shares of AAL that it did not already own. At that date Orocobre remeasured the carrying value of its investment in Advantage Lithium and ceased to be an associate as it became a wholly owned subsidiary. The remeasurement of the investment at the transaction date was calculated with the valuation from the Plan of Arrangement between Orocobre and Advantage Lithium which resulted in a loss of fair value of associate of US$10,329,000.

### 22b) Toyota Lithium Corp

The Group has an economic interest of 75% in Toyotsu Lithium Corporation (TLC). Toyota Tsusho Corporation (TTC) has the remaining (25%) economic interest in TLC. The Group has a 49% ownership interest in TLC and TTC has the remaining 51% ownership interest.

TLC will construct the Naraha Lithium Hydroxide Plant which will be located in Japan. Feedstock for the plant will be sourced from the Olaroz Lithium Facility's Stage 2 expansion that will produce primary grade lithium carbonate. The Group has invested capital of JPY 750 million (2020: JPY 750 million) (US$6.7 million / 2020: US$6.7 million) into TLC.

TLC has been accounted for as an associate due to the fact that Orocobre does not have control of TLC, but has significant influence. This is evidenced by Orocobre having 2 of the 5 board members whilst decisions are made by a majority. The functional currency of TLC is Japanese YEN, therefore it will generate an FCTR on translation to US dollars. A translation difference of US$147,000 (2020: US$235,000) was recognised in the current year. See Note 30 d) for the Group's accounting policy on Investment in associates and joint arrangements and associates. No dividends have been received from the associate.

The following tables illustrate the summarised information of the Group's Investment in TLC.

Statement of profit and loss

| | **2021** | 2020 |
|---|---|---|
| | **US$'000** | US$'000 |
| Corporate expenses | **(2,193)** | (1,070) |
| **Loss before income tax** | **(2,193)** | (1,070) |
| Income tax expense | **(50)** | - |
| **Loss for the period** | **(2,243)** | **(1,070)** |
| **Other comprehensive loss** | **-** | - |
| **Total comprehensive loss** | **(2,243)** | (1,070) |
| **Orocobre's share of the loss for the year** | **(1,682)** | (803) |
| **Orocobre's share of other comprehensive loss** | **-** | - |
| **Orocobre's share of total comprehensive loss** | **(1,682)** | **(803)** |

## Note 22: Investment in associates (continued)
### b) Toyota Lithium Corp (continued)

Statement of financial position

| | 2021 | 2020 |
|---|---|---|
| | **US$'000** | US$'000 |
| Current assets | **390** | 24,358 |
| Non-current assets | **66,296** | 40,362 |
| **Total assets** | **66,686** | 64,720 |
| Current liabilities | **20,796** | 101 |
| Non-current liabilities | **40,250** | 56,619 |
| **Total liabilities** | **61,046** | 56,720 |
| **Net assets** | **5,640** | **8,000** |
| Contributed equity | **8,964** | 8,964 |
| Reserves | **196** | 313 |
| Accumulated losses | **(3,520)** | (1,277) |
| **Total equity** | **5,640** | **8,000** |
| **Orocobre's share of total equity** | **4,230** | 6,000 |

## Note 23: Parent entity information

The following information relates to the parent entity. The ultimate parent entity within the Group is Orocobre Limited.

The individual financial statements for the parent entity show the following aggregate amounts below:

| | 2021 | 2020 |
|---|---|---|
| | **US $000's** | US $000's |
| Current assets | **310,423** | 224,959 |
| Non-current assets | **379,586** | 334,159 |
| **Total assets** | **690,009** | 559,118 |
| Current liabilities | **4,090** | 4,131 |
| Non-current liabilities | **2,932** | 1,477 |
| **Total liabilities** | **7,022** | 5,608 |
| **Net assets** | **682,987** | 553,510 |
| Contributed equity | **647,902** | 527,851 |
| Reserves | **(37,867)** | (39,769) |
| Accumulated profits | **72,952** | 65,428 |
| **Total equity** | **682,987** | 553,510 |
| Profit for the year | **7,524** | 6,326 |
| **Total comprehensive profit for the year** | **7,524** | 6,326 |

Prior to 30 June 2021, Orocobre entered into contractual arrangements for AU$7,500,000 for the facilitation of the merger transaction. Payment of these costs were contingent on the successful completion of the merger. This contingent liability has not been recognised in the results as at 30 June 2021.

The profit for the period includes impairment of loans receivable from Borax Holdings 1&2 of nil (2020: US$2,714,000).

The parent entity has several employees. A portion of the costs associated with these employees are borne by a subsidiary of the parent entity and are not included in the above disclosures.

### Recognition and measurement

The financial information for the parent entity, Orocobre Limited, has been prepared on the same basis as the consolidated financial statements, except as set out below:

## Note 23: Parent entity information (continued)

**Investments in subsidiaries, associates and joint venture entities**

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Orocobre Limited.

## Note 24: Reconciliation of loss for the year to net cash generated from operating activities

| | Note | 2021<br>US$'000 | 2020<br>US$'000 |
|---|---|---|---|
| **Loss after income tax** | | **(89,474)** | (67,159) |
| Adjustments for: | | | |
| Non-cash employee benefits expense | | **1,902** | 1,477 |
| Depreciation and amortisation | | **18,759** | 13,883 |
| Gain on disposal of assets | | **(2,450)** | - |
| Share of net losses of associates | | **1,682** | 1,507 |
| Impairment loss | | **912** | 15,038 |
| Unwinding of discount on rehab provision | 14b | **368** | 530 |
| FX loss from equity raise | | **700** | - |
| Non-cash finance costs | | **4,719** | 8,001 |
| Unrealised foreign exchange | | **4,781** | 2,193 |
| Deferred tax | | **67,940** | (9,851) |
| Changes in operating assets and liabilities: | | | |
| (Increase)/decrease in receivables | | **(7,136)** | 877 |
| Increase in payables | | **5,016** | 8,827 |
| Decrease in provisions | | **(2,966)** | (191) |
| Decrease in prepayments | | **3,978** | 6,625 |
| Increase/(decrease) in inventory | | **(24,430)** | 7,812 |
| **Net cash generated from operating activities** | | **(15,699)** | (10,431) |

## Note 25: Auditors Remuneration

During the year the following fees were paid or payable for services provided by Ernst & Young (EY) as the auditor of the parent entity, Orocobre Limited by EY's related network firms.

| | 2021<br>US$ | 2020<br>US$ |
|---|---|---|
| Audit and review of financial statements (Ernst & Young) | | |
| - Australia | **187,986** | 149,576 |
| - Argentina | **121,832** | 101,289 |
| **Total auditors' remuneration** | **309,818** | 250,865 |

## Note 26: Related party disclosures

### 26a) Transactions with related parties and outstanding balances

**Other Related Parties**

The following table provides the total amount of transactions with related parties for the relevant financial year.

Transactions impacting the statement of profit & loss:

## Note 26: Related party disclosures (continued)

### 26a) Transactions with related parties and outstanding balances (continued)

| | | 2021 | 2020 |
|---|---|---|---|
| | Note | US$ | US$ |
| Sales to a related party | 1 | **66,370,456** | 58,042,421 |
| Interest expense to a related party (gross of any capitalisation) | 2f | **(4,357,875)** | (3,822,867) |

Transactions impacting the statement of financial position

| | | 2021 | 2020 |
|---|---|---|---|
| | Note | US$ | US |
| **Trade receivable from a related party** | | | |
| Current | 6 | **3,671,194** | 230,520 |
| **Loans payable to a related party** | | | |
| Current | 16 | **-** | 13,666,666 |
| Non-current | 16 | **73,982,185** | 44,814,867 |
| **Interest payable to a related party** | | | |
| Current | 13 | **-** | 5,278,562 |
| Non-current | 13 | **12,486,018** | 2,849,581 |

### Key Management Personnel

Compensation of Key Management Personnel of the Group:

| | 2021 | 2020 |
|---|---|---|
| | US$ | US$ |
| Short-term employee benefits | **1,367,716** | 1,390,841 |
| Post-employment benefits | **18,343** | 17,144 |
| Other long-term benefits | **6,094** | (1,454) |
| Share-based payments | **513,484** | 751,463 |
| **Total compensation** | **1,905,637** | 2,157,994 |

### Transactions with Directors and Key Management Personnel

A secured loan was made during the year to the MD/CEO in order to settle withholding tax payable on the receipt of 114,516 Ordinary Shares on the vesting and exercising of Tranche 2 of the Commencement and Retention Rights granted at the 2019 Annual General Meeting. The MD/CEO was unable to sell the number of shares required to settle the tax payable as there was a blackout period in terms of Orocobre's Trading Policy, due to the potential Galaxy Resources Limited merger transaction. The loan was to be repaid in full by 31 December 2021. If not settled by that date, Orocobre was entitled to withhold the principal and interest owing from the MD/CEO's salary. Interest was payable on the loan at 1% per annum (expressed as a US$ loan payable). The loan was repaid on 23 June 2021.

Other than disclosed above, there were no other Key Management Personnel (KMP) related party transactions during the year. Detailed disclosures on compensation for Key Management Personnel are set out in the Remuneration Report included in the Directors' Report.

## Note 27: Commitments

| | 2021 | 2020 |
|---|---|---|
| | US$'000 | US$'000 |
| Not later than 1 year | | |
| Exploration commitments i) | **11** | 31 |
| Contracts - Property plant & equipment ii) | **143,325** | 91,685 |
| Contracts - Operating ii) | **5,118** | 8,071 |
| **Total** | **148,454** | 99,787 |
| Later than 1 year but not later than 5 years | | |
| Contracts - Operating ii) | **5,101** | 16,107 |
| **Total** | **5,101** | 16,107 |

i) The Group must meet minimum expenditure commitments in relation to option agreements over exploration tenements and to maintain those tenements in good standing. The commitments exist at balance sheet date but have not been brought to account. If the relevant mineral tenement is relinquished the expenditure commitment also ceases.

ii) The Group has contractual commitments regarding purchase agreements for consumables and energy at its operations.

## Note 28: Asset Acquisition

On 17 April 2020, Orocobre completed the acquisition of 100% of the issued and outstanding shares of Advantage Lithium that it did not already own. Under the terms of the Arrangement, Advantage Lithium shareholders received 0.142 Orocobre shares per Advantage Lithium share. Orocobre issued approximately 15.1 million shares. After considering the details of the transaction such event was accounted as an asset acquisition.

Orocobre recognised the acquisition as an asset acquisition as opposed to a business combination. In arriving to such conclusion, Orocobre considered the asset concentration test that confirmed the fair value of the gross assets acquired was concentrated in a single identifiable asset; Cauchari's mining properties.

The fair values of the identifiable assets and liabilities of Advantage Lithium were as follows:

| | | 2020 |
|---|---|---|
| | **Note** | **US$'000** |
| Asset acquisition at fair value | 11 | 31,399 |

Initial recognition exemption in AASB 112 Income Taxes was applied so no deferred tax assets and liabilities would arise if the tax base was different from the accounting base.

## Note 29: Subsequent Events

On 19 April 2021 Orocobre Limited and Galaxy Resources Ltd (ASX: GXY) (Galaxy) announced that the two companies had entered into a binding Merger Implementation Deed under which the two companies will merge via a Galaxy Scheme of Arrangement (Scheme) pursuant to which Orocobre will acquire 100% of the shares in Galaxy.

On implementation, Galaxy shareholders will receive 0.569 Orocobre shares for each Galaxy share held as consideration, and Galaxy will become a wholly owned subsidiary of Orocobre.

Subsequent to 30 June 2021, the Scheme was approved by the Galaxy shareholders on 6 August 2021. The Supreme Court of Western Australia approved the Scheme on 13 August 2021 whereupon the Court orders were lodged with the Australian Securities and Investment Commission on 16 August 2021 and remaining conditions precedent were satisfied. The implementation date and acquisition date will be 25 August 2021. As the scheme of arrangement will only be implemented on 25 August 2021, the acquisition date fair value of the share consideration and provisional purchase price accounting has not been completed at the date of this financial report.

Prior to 30 June 2021, Orocobre entered into contractual arrangements for AU$7.5 million for the facilitation of the merger transaction. Payment of these costs were contingent on the successful completion of the merger.

The financial effects of the merger transaction and merger transaction costs have not been recognised at 30 June 2021. The operating results and assets and liabilities of Galaxy will be consolidated from the acquisition date of 25 August 2021.

Other than disclosed above, there were no significant events occurring after balance date.

## Note 30: Summary of significant accounting policies

Other significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Where necessary, comparative information has been restated to conform with changes in presentation in the current year.

### 30 a) Goods and Services Tax (GST) and Value-Added Tax (VAT)

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

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

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

The Group records VAT at fair value due to the hyperinflationary economy in Argentina and the highly devaluing local currency.

## Note 30: Summary of significant accounting policies (continued)

### 30 b) Foreign currency translation

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

**Transactions and balances**

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

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

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

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

**Group companies**

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

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

### 30 c) Business combinations

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

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as a financial liability are subsequently remeasured to fair value with changes to fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the difference is recognised directly in profit or loss as a bargain purchase.

## Note 30: Summary of significant accounting policies (continued)

### 30 c) Business combinations (continued)

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

### 30 d) Investment in associates and joint arrangements

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

The Group's investments in its joint ventures are accounted for using the equity method. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 3.

The financial statements of the joint venture are prepared for the same reporting period as the Group. The financial statements of the associates are not aligned with group and the necessary disclosures are noted in Note 22. Adjustments are made to bring the accounting policies in line with those of the Group.

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

### 30 e) New and amended standards and interpretations adopted by the Group

The accounting policies adopted are consistent with those of the previous financial year. There were no new and amended accounting standards and interpretations applied for the first time for the first time during the year by the Group that had an impact on the amounts recognised in prior periods or expected to significantly affect the current or future periods.

### 30 f) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. These new accounting standards and interpretations not yet adopted are not expected to have a material effect on the Group in the current period and on foreseeable future transactions.

# **Director's** Declaration

In accordance with a resolution of the directors of Orocobre Limited, I state that:

1. In the opinion of the Directors:
   a) the financial statements and notes of Orocobre Limited for the financial year ended 30 June 2021 are in accordance with the *Corporations Act 2001*, including:
      i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
      ii. complying with Accounting Standards and the Corporations Regulations 2001;
   b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and
   c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2021.

**Robert Hubbard**
Chairman

**Martín Pérez de Solay**
Managing Director

Dated this: 25th day of August 2021

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# Independent Auditor's Report to the Members of Orocobre Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Orocobre Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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## Revenue recognition - Olaroz

| Why significant | How our audit addressed the key audit matter |
| --- | --- |
| As disclosed in Note 1, for the year ended 30 June 2021, revenue from sales of lithium carbonate product totalled $66.4 million, being 78%of the Group's revenue.<br><br>The Group's lithium carbonate is produced at its Olaroz operation and is marketed by Toyota Tsusho Corporation ("TTC") under the Group's Master Sales Agency Agreement ("MSAA").<br><br>For each individual sale transaction under the MSAA, the Group assesses whether its performance obligation, being the delivery of lithium carbonate product including the transferring the significant risks and rewards of ownership in the product (typically referencing Incoterms), is satisfied prior to the recognition of revenue in respect of the sale transaction.<br><br>In certain sale transactions there are stringent quality specifications for the delivered product. Where sale transactions include such specifications, the Group defers revenue for these transactions until such time as it can evidence acceptance of the product by the customer.<br><br>Significant judgement is involved in assessing when Olaroz satisfies its performance obligations with its customer, including timing of customer acceptance (if applicable). Accordingly, this was considered a key audit matter. | Our audit procedures included the following:<br><br>• Obtained and read the Group's MSAA with TTC and considered its application to Olaroz's different sales transactions during the year.<br><br>• Assessed the Group's identification of its performance obligations, including customer acceptance (if applicable) and the point of revenue recognition for Olaroz's different sale transactions for consistency with the requirements of Australian Accounting Standards.<br><br>• Reviewed the revenue testing including cut-off consideration of EY's component auditor. The EY component tested, on a sample basis, the occurrence of revenue based the relevant Incoterms and evidence of the transfer of the risk and reward of ownership to the customer, such as a bill of lading.<br><br>• Obtained written confirmation from TTC of accounts receivable from TTC at 30 June 2021.<br><br>• Obtained written confirmation from TTC of the quantity of product inventory under its control (in-transit to and in warehouses in Japan) at 30 June 2021 which was still subject to a customer acceptance.<br><br>• Assessed the adequacy of the Group's disclosures included in the financial report in accordance with Australian Accounting Standards. |

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## Argentine Operations – reliance on the work of EY component teams

| Why significant | How our audit addressed the key audit matter |
| --- | --- |
| As detailed in Note 1 to the financial report, the Group's operating segments and activities take place outside of Australia, predominantly in Argentina. These decentralised operations require adequate monitoring activities from a financial reporting perspective.<br><br>In our role as group auditor, we are required to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities ("components") within the Group to express an opinion on the financial report. We are responsible for the direction, supervision, and performance of the Group audit.<br><br>Given the financial significance of components to the Group result, our direction and supervision of our component audit team in Argentina, being Ernst & Young Argentina, was considered a key audit matter. | In fulfilling our responsibilities as group auditor:<br>• We performed risk assessment and component scoping at consolidated group level and, based on this scoping, identified the components to be audited by Ernst & Young Argentina ("EY component auditor")<br>• We sent instructions to the EY component auditor detailing significant audit areas to be covered, including the relevant risks and the information to be reported to the Group audit team. The Group audit team approved the component materiality, having regard to the size and risk profile of the component relative to the Group.<br>• The EY component team provided written confirmation to the Group audit team confirming the work performed and the results of that work as well as key documents supporting independence, significant findings and observations.<br>• We, as the Group audit team, held meetings with the EY component teams to discuss the outcome and extent of their procedures.<br>• We, as the Group audit team, reviewed underlying working papers and documentation of the EY component auditor for selected areas of audit focus.<br>• We, as the Group audit team, ensured the trial balance and related supporting schedules audited by the EY component team agreed to the Group consolidation schedule and where relevant financial statement notes.<br>• We assessed the accounting policies of the components for consistency with the Group's accounting policies and tested the Group's accounting for intercompany transactions. |

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## Carrying amount of property, plant and equipment, right of use and intangible assets

| Why significant | How our audit addressed the key audit matter |
|---|---|
| At 30 June 2021, the Group had property, plant and equipment, right of use and intangible assets in respect of its Olaroz and Borax segments of $895.7 million and $1.1 million respectively.<br><br>Australian Accounting Standards require the Group to assess throughout the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, an entity shall estimate the recoverable amount of the asset or cash generating unit ("CGU") to which it relates.<br><br>The Group operates in an industry with exposure to fluctuations in commodity prices, foreign exchange rates, discount rate and resource estimation, which impact the Group's forecast revenues, operating cash flows and the resulting recoverable amount of its non-current assets.<br><br>Impairment assessments involve forecasts in these areas, all of which are highly judgmental and ultimately impact on the recoverable amount of non-current assets. Accordingly, this was considered a key audit matter.<br><br>At 30 June 2021, the Group has performed an impairment indicator assessment for the Olaroz and Borax CGUs. The analysis concluded no impairment indicators were present for Olaroz but impairment indicators continued for Borax.<br><br>The Group performed an impairment test for Borax and assessed its recoverable amount to be $nil, with the exception of certain assets which have standalone fair value. This testing resulted in an impairment charge of $0.9 million in respect of Borax's property, plant and equipment.<br><br>Disclosure regarding this matter can be found in Note 3 to the financial report. | The audit procedures we performed included the following:<br><br>• Assessed the Group's definition of CGUs in accordance with Australian Accounting Standards.<br><br>• Assessed the appropriateness and completeness of the Group's consideration of impairment indicators including:<br>◦ The relationship between asset carrying values and the Group's market capitalisation;<br>◦ Comparison of current commodity price forecasts (specifically lithium carbonate and lithium hydroxide) to external observable market data and comparable commodity price forecasts used in the Group's 30 June 2020 impairment test;<br>◦ Analysis of Board approved budgets and operating plans and actual operating results for evidence of adverse changes in operating and capital cost assumptions and the assumptions in the Group's 30 June 2020 impairment test;<br>◦ Discussions with operational management as to the performance of the underlying assets and any indication of underperformance, obsolescence or physical damage to assets;<br>◦ Analysis of changes in the Group's published resource estimates for Olaroz and Borax for evidence of adverse changes in resource quantities which may evidence a decline in recoverable amount the respective CGUs; and<br>◦ Review of the Scheme of Arrangement documentation in respect of the Group's proposed merger with Galaxy Resource Limited for evidence to suggest the carrying amount of the Olaroz and Borax CGU's may exceed their recoverable amount.<br><br>• Assessed the Group's decision to impair the carrying amount of Borax's non-current assets and the adequacy of the impairment charge recognised.<br><br>• Assessed the adequacy of the Group's disclosures included in the financial report in accordance with Australian Accounting Standards. |

## Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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## Report on the Audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 37 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Orocobre Limited for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

### Responsibilities

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.

Ernst & Young

Ernst & Young

Andrew Carrick
Partner
Brisbane
25 August 2021

# Resources
and Reserves

## Combined Resources

Resources owned by the company total 11.2 Mt of lithium carbonate equivalent (LCE) in Measured and Indicated Resources and 1.5 Mt of Inferred resources. These are summarised in Table 1, with details of the resource estimates provided in the following tables.

**Table 1: Olaroz and Cauchari Resource Summary**

| **Olaroz Project Lithium Carbonate Equivalent (LCE)*** | |
|---|---|
| Measured | 1.40 |
| Indicated | 5.00 |
| **Total M&I Olaroz** | **6.40** |
| **Cauchari Project Lithium Carbonate Equivalent (LCE)^** | |
| Measured | 1.85 |
| Indicated | 2.95 |
| Total M&I Cauchari | 4.8 |
| Inferred | 1.5 |
| **Total M&I Olaroz+Cauchari** | **11.20** |

*^ Details of the individual Olaroz and Cauchari resource estimates are provided in the tables below. These have different grades, cut off values and Competent Persons.

## Olaroz Resource Estimate

In 2011, the Company defined a M&I 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 equivalent (LCE) 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 (Table 2).

The resource was estimated under the JORC 2004 reporting guidelines, prior to the introduction of the current JORC 2012 reporting rules. However, there is no material difference with the resource relative to when it was estimated, with the exception of depletion by production, which commenced in 2014.

The Olaroz resource estimate will be updated later in 2021 with the results of drilling being undertaken for the Olaroz production expansion.

**Table 2: Olaroz 2011 Resource Estimate**

| | | | | | Concentration | | | Tonnes of contained metal | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Resource category** | **Area ($km^2$)** | **Thickness (m)** | **Mean specific yield %** | **Brine volume $km^3$** | **Lithium mg/l** | **Potassium mg/l** | **Boron mg/l** | **Lithium million tonnes** | **Potassium million tonnes** | **Boron million tonnes** |
| Measured resource | 93 | 54 | 8.5% | 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 | 10.1 | 1.85 |

## Olaroz Defined Exploration Target

As part of the bore field development during Stage 1 operations, five production bores have been drilled, or extended, beyond the resource depth of 197 m, with the deepest being to 450 m. All these holes intersected significant thicknesses of sandy sequences beneath the 197 m deep resource (announcement 23 October 2014).

These results are highly significant as this sandy sequence is interpreted to extend laterally beneath much of the defined brine resource.

The sand unit could hold significant volumes of lithium-bearing brine which could be added to the

resource base by future deeper drilling. In addition, due to the thickness of the sand, any production bore drilled into this unit will be high yielding compared to bores only in the top 200 m.

The exploration target described below is between 1.6 and 7.5 million tonnes of LCE, located between 197 m and 323 m depth, based on the first two deeper production bores in the west of the Olaroz properties (Table 3).

Additional internal exploration targets have been identified to the north and the south of the defined target area.

It must be stressed that an Exploration Target is not a Mineral Resource. The potential quantity and grade of the Exploration Target is conceptual in nature, and there has been insufficient exploration to define a Mineral Resource in the volume where the Exploration Target is outlined.

It is uncertain if further exploration drilling will result in the determination of a Mineral Resource in this volume. However, re-interpretation of geophysical surveys at Olaroz has indicated the Olaroz Salar is over 650 m deep.

Deeper drilling is being undertaken as part of the Stage 2 Expansion to further evaluate the exploration target and prepare an updated resource that extends below the depth of this exploration target, assisting longer term development planning.

**Table 3: Olaroz Deeper Exploration Target**

| Area km$^2$ | Thickness m (to 323 m depth) | Mean specific yield % | Brine volume million m$^3$ | Li mg/l | Contained Li million metric tonnes | Lithium carbonate million metric tonnes | K mg/l | Contained K million metric tonnes | Potash million metric tonnes | B mg/l | Boron million metric tonnes |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Upper Assumption Estimate | | | | | | | | | | | |
| 80 | 126 | 20% | 2,000 | 700 | 1.4 | 7.5 | 5400 | 10.9 | 20.8 | 1,200 | 2.4 |
| Lower Assumption Estimate | | | | | | | | | | | |
| 80 | 126 | 6% | 605 | 500 | 0.3 | 1.6 | 4000 | 2.4 | 4.6 | 900 | 0.5 |

## Olaroz Reserve Estimate

There is currently no mineral reserve defined for the Olaroz Project. An initial evaluation of pumping performance in the salar to date was completed using numerical (groundwater) modelling software. This work established the data requirements for the company to develop a new groundwater model to develop a reserve estimate with the results of deeper drilling being undertaken for the project expansion.

The new groundwater model will be optimised to simulate the results of long-term brine extraction from the salar. This model will be developed on the updated lithium mineral resources, which will include new resources expected to be defined below the depth of the current resources (based on information from the five pumping wells installed below 200 m depth and drilling conducted to date for the expansion project).

Government mandated COVID-19 controls in Argentina and expenditure reduction related to the recent weak lithium market and pricing have resulted in a delay to defining project reserves.

Prediction of brine extraction through the life of the project, using the new groundwater model and based on observations of pumping from 2013 to 2020, will allow definition of a long-term production schedule and a mineral reserve of lithium in brine which can be extracted by long-term pumping operations.

## Cauchari Project (Orocobre 100%)

Orocobre acquired the Cauchari Project immediately south of Olaroz in 2020, following the completion of a statutory plan of arrangement with Advantage Lithium. The Cauchari project has similar brine characteristics to Olaroz (although lower grade) and provides additional optionality for the company with regards to project expansion when lithium demand has increased in the future.

The 2018 Phase III drilling program and subsequent 30 day constant rate pumping tests more than doubled the resource at Cauchari from the previous estimate released on 24 May 2018 (see ASX announcement 7 March 2019).

Independent consultants FloSolutions SpA.(now Atacama Water) advised the resource volume has increased to 1.9 $km^3$ of brine at an average concentration of 476 mg/l lithium equivalent for 4.8 Mt of LCE in the Measured & Indicated (M&I) categories. The Inferred Resource estimate increased to 0.6 $km^3$ of brine at an average grade of 473 mg/l lithium equivalent for 1.5 Mt of LCE. The resource estimate includes both the NW and SE Sectors of the project. The resources have been broken into six different geological units which are classified between Measured, Indicated and Inferred resources, with the classification reflecting differences in the level of available sample information.

The key areas of the resource for future brine production are the Archibarca Fan (NW Sector, immediately south of Olaroz) and the SE Sector of the Project.

The Archibarca Fan resource consists of 1.0 Mt of LCE as Measured Resources at 564 mg/l lithium. The M&I Resources in the SE Sector, mostly contained in the Clay and Halite units, amount to approximately 2.3 Mt of LCE at 481 mg/l lithium. The extraction characteristics of the Archibarca Fan and SE Sector have been confirmed by the 30 day pumping tests in each area following the Phase III drilling program in 2018.

The brine resource is calculated over the NW and SE properties of the Cauchari Project and covers an area of 117.7 $km^2$. The brine resource in the west extends from the brine level below the surficial gravels to a depth of over 400 m and is classified as Measured in the north in the Archibarca area and Indicated further south in the West Fan, with small volumes of Inferred resources in these areas. The M&I Resources in the SE Sector extend from the phreatic brine level to a constant depth of 400 m.

in the Halite and Clay units. Indicated Resources in the Deep Sand unit extend to 500 m depth. Below these depths the resource is classified as Inferred, reaching a depth of up to 619 m. The Deep Sand unit remainsopen at depth. None of the drill holes completed to date have intercepted bedrock (basement) and the resource remains open at depth. The updated resource estimate is presented in Table 4.

**Table 4: Cauchari Project Lithium Resource Estimate; April 2019**

| | Measured (M) | Indicated (I) | M+I | Inferred |
|---|---|---|---|---|
| Aquifer volume ($km^3$) | 9.7 | 20.9 | 30.7 | 10.7 |
| Mean specific yield | 6% | 6% | 6% | 6% |
| Brine volume ($km^3$) | 0.6 | 1.2 | 1.9 | 0.6 |
| Li mean grade ($g/m^3$) | 35 | 26 | 29 | 27 |
| Li mean concentration (mg/l) | 527 | 452 | 476 | 473 |
| Resource (tonnes) | 345,000 | 550,000 | 900,000 | 290,000 |
| Lithium Carbonate Equivalent | 1,850,000 | 2,950,000 | 4,800,000 | 1,500,000 |

Notes:

1. JORC and CIM definitions were followed for mineral resources.
2. The Qualified Person for this Mineral Resource estimate is Murray Brooker, RPGeo, MAIG.
3. Lithium is converted to lithium carbonate ($Li_2CO_3$) with a conversion factor of 5.32.
4. Numbers may not add due to rounding.

Results of the brine chemistry analysis carried out as part of the updated resource estimate confirmed the Cauchari brine is similar in composition to the brine in the adjacent Olaroz Salar from which Orocobre successfully produces lithium carbonate using conventional lithium processing technology. There is a reasonable prospect that the Cauchari brine could be successfully processed using technology similar to Olaroz. A summary of the Cauchari brine characteristics can be in found in Table 5.

**Table 5: Cauchari Brine Chemistry Characteristics; 7 March, 2019**

| Samples Ratio | Archibarca Fan | Clay | East Fan | Halite | Deep Sand | West Fan |
|---|---|---|---|---|---|---|
| Mg/Li | 2.3 | 2.5 | 1.6 | 2.7 | 2.5 | 3.2 |
| $SO_4$/Li | 26.2 | 39.7 | 88.7 | 44.3 | 38.1 | 38.4 |

## Resource Estimation Methodology

The updated lithium resource estimate for the Cauchari Project is based on the results of 26 diamond holes and five rotary holes drilled between 2011 and the end of 2018. Figure 1 shows a location map of the drill holes completed during the 2011 and 2017/8 drilling campaigns and Figure 2 shows a cutaway diagram of the resource area and concentrations. Brine sample collection consisted of bailed and packer samples in the diamond holes, and packer and pumped samples in the rotary holes. More than 2,000 brine samples (including more than 300 QA/ QC samples) were analysed by Norlabs (Jujuy, Argentina) as the primary laboratory and by Alex Steward Assayers (Mendoza, Argentina) and the University of Antofagasta (Chile) as secondary QA/QC laboratories. Brine was also extracted from diamond cores (centrifuge methodology) in an independent laboratory in the USA and analysed in the Norlabs laboratory in Argentina to further verify and validate brine chemistry results.

HQ core was retrieved during the diamond core drilling from which more than 300 primary undisturbed samples were prepared for laboratory drainable porosity and other physical parameter determinations by Geo Systems Analysis (GSA) in Tucson, AZ. Laboratory QA/QC porosity analyses were undertaken by the DBS&A Laboratory, Core Laboratories and the British Geological Survey.

The lithium resource was estimated using SGEMs software applying ordinary kriging. The resource estimate was prepared in accordance with the guidelines of JORC and Canadian National Instrument 43-101 and uses best practice methods specific to brine resources, including a reliance on core drilling and sampling methods that yield depth-specific chemistry and drainable porosity measurements. The resource estimation was completed by independent qualified person Mr. Frits Reidel of Santiago based hydrogeology firm FloSolutions SpA (now Atacama Water). with extensive experience in the estimation of lithium brine resources in Argentina. Competent Person (CP) Mr. Murray Brooker reviewed advances during the drilling programs and during the resource estimation.

Figure 1: Cauchari 2019 Resource Outlines — Location of Cauchari Properties, Drill Holes and Resource Area

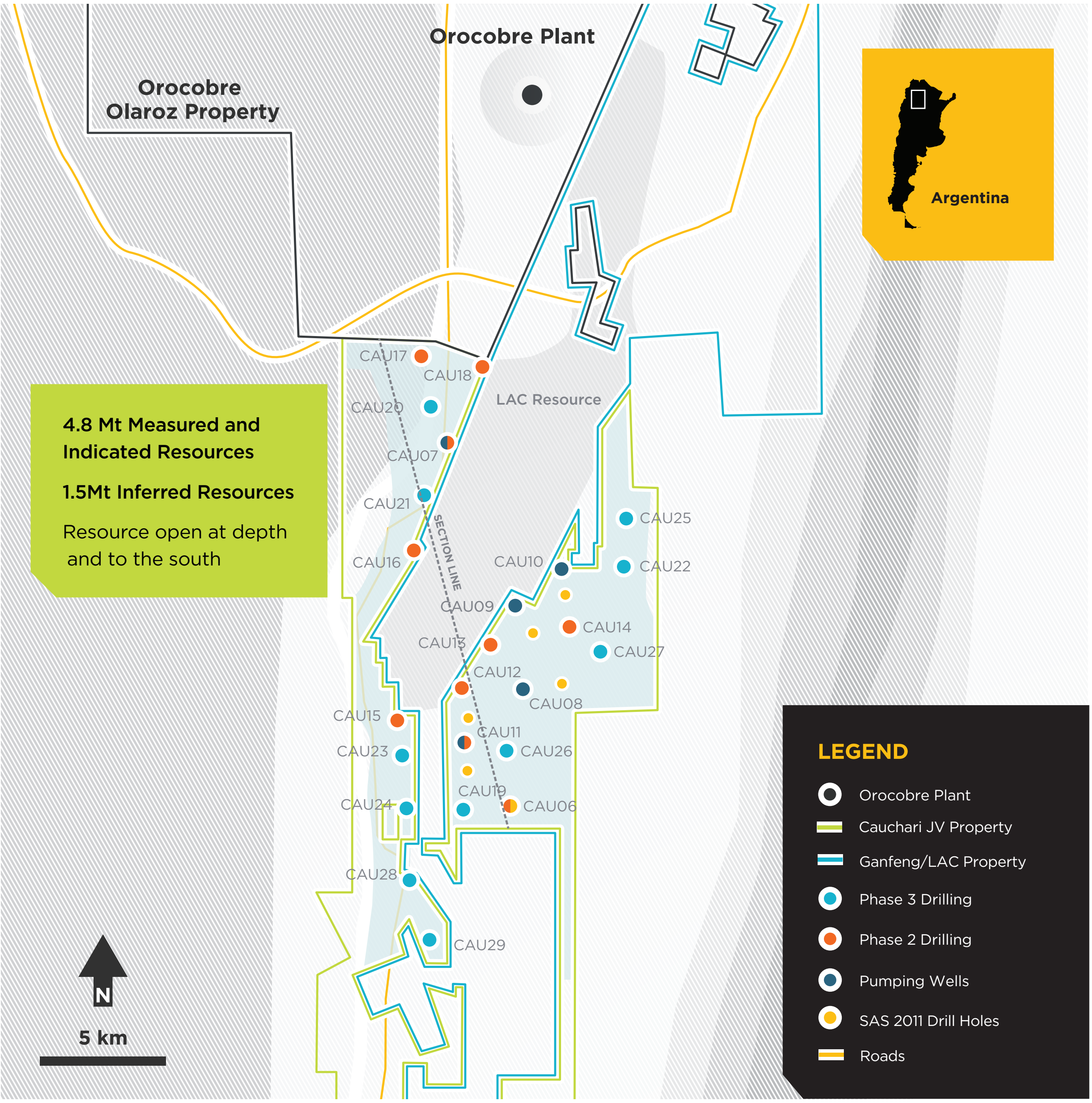
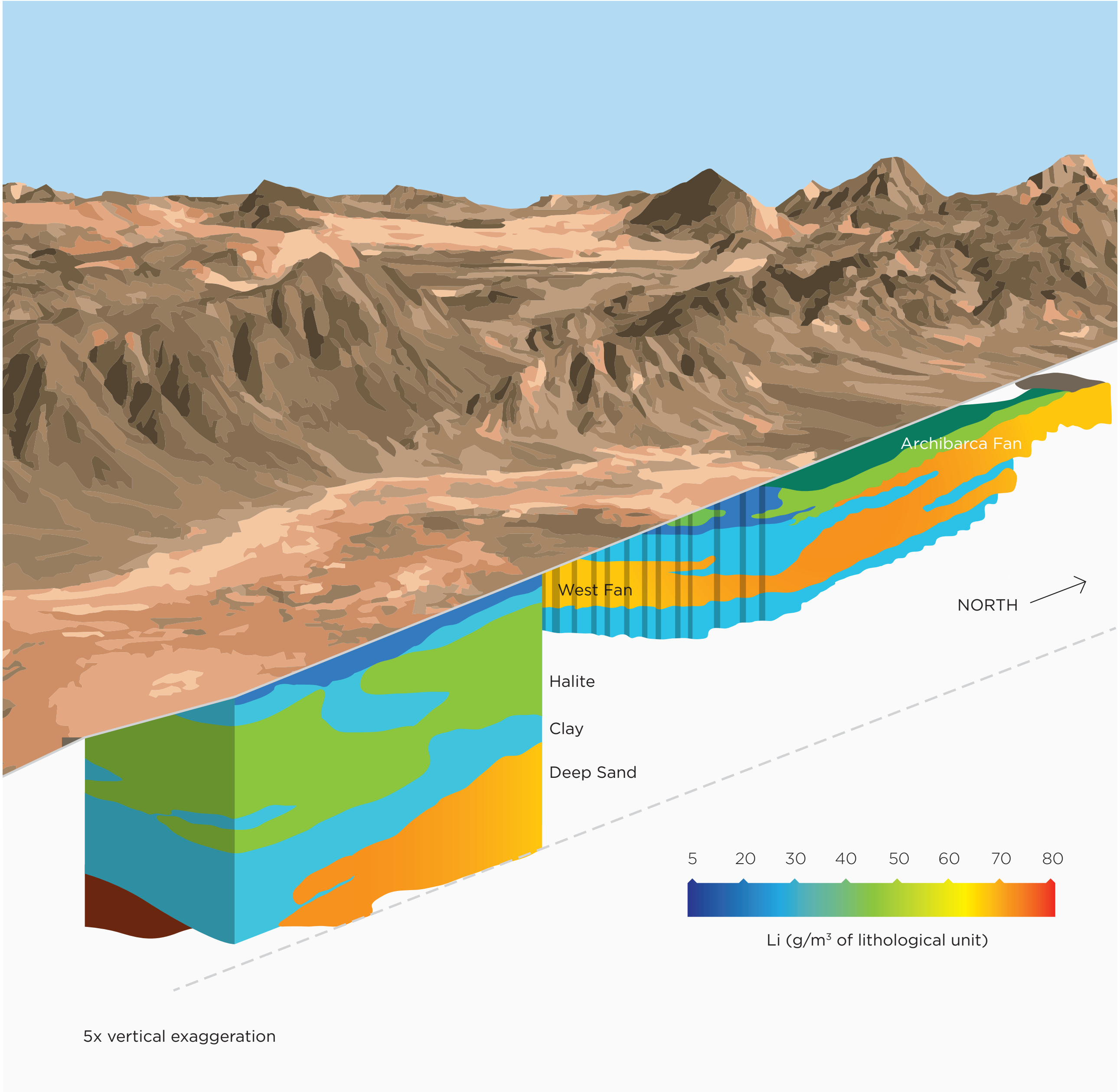


**Figure 2: Resource Model looking northwest through the SE Sector and the Archibarca area (serrated pattern represents resource blocks along the property boundary)**



# Borax Argentina S.A.

## JORC Compliance Program

Following the upgrading of the Porvenir historical estimate to a JORC compliant M&I Resource in 2014, the Tincalayu resource upgrade was completed in FY15.

## Resources

**Porvenir Resource Estimate Summary**

An M&I Resource of 2.3 million tonnes at 20.4% $B_2O_3$ is estimated at the current 16% mining cut-off grade.

The resource extends to a maximum depth of 2.9 m and is easily exploited by low cost strip mining. An M&I Resource of 6.9 million tonnes of 14.9% $B_2O_3$ is estimated at a 9% $B_2O_3$ mining cut-off grade with the predominant mineral being ulexite.

The resource estimate was prepared by Murray Brooker, an independent consultant employed by Hydrominex Geoscience Pty Ltd. Murray Brooker is a geologist and hydrogeologist and is a Member of the Australian Institute of Geoscientists. Murray has sufficient relevant experience to qualify as a competent person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. He is also a "Qualified Person" as defined by Canadian Securities Administrators' National Instrument 43-101.

The information is extracted from the report entitled Amended Announcement to Porvenir Historical Estimate Upgraded to JORC Compliant Resource (see ASX announcement 29 April 2014).

The Company is not aware of any information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement. A previous announcement was made on the 21 August 2012 regarding the superseded historical resource at Porvenir, which is the subject of re-estimation. The company is not in possession of any new information or data relating to historical estimates that materially impacts on the reliability of the estimates or the company's ability to verify the historical estimates as mineral resources, in accordance with the JORC Code. The supporting information provided in the initial market announcement of 21 August 2012 continues to apply and has not materially changed. The Porvenir project is currently not in production and resources have not been adjusted for mining depletion since they were estimated.

**Table 6: April 2014 Update of the Porvenir Resource Estimate**

| Classification | Cut-Off Grade | Tonnes | Grade% $B_2O_3$ | Tonnes $B_2O_3$ |
|---|---|---|---|---|
| Measured | 9% | 4,907,877 | 14.5 | 710,672 |
| Indicated | 9% | 1,942,433 | 16.0 | 310,517 |
| Measured & Indicated | 9% | 6,850,000 | 14.9 | 1,020,000 |
| **Classification** | **Cut-Off Grade** | **Tonnes** | **Grade% $B_2O_3$** | **Tonnes $B_2O_3$** |
| Measured | 16% | 1,474,341 | 20.0 | 295,117 |
| Indicated | 16% | 804,595 | 21.0 | 168,776 |
| Measured & Indicated | 16% | 2,278,937 | 20.4 | 463,992 |

## Tincalayu Resource Estimate Summary

An Indicated resource of 5.1 million tonnes at 14.7% $B_2O_3$ and Inferred resource of 1.4 million tonnes at 11% $B_2O_3$ at a marginal cut-off of 5.6% $B_2O_3$ for in-pit maximum DCF resources. This increases to an Indicated resource 6.8 million tons of 13.8 % $B_2O_3$ and 11 million tonnes of Inferred resource at 9.3% $B_2O_3$, at a marginal cut-off grade of 2.8% $B_2O_3$. The predominant mineral is tincal.

The resource estimate was prepared by Murray Brooker, an independent consultant employed by Hydrominex Geoscience Pty Ltd. Murray Brooker is a geologist and hydrogeologist and is a Member of the Australian Institute of Geoscientists.

Murray has sufficient relevant experience to qualify as a competent person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. He is also a "Qualified Person" as defined by Canadian Securities Administrators' National Instrument 43-101. The information is extracted from the report entitled Tincalayu Historical Estimate Upgraded to JORC Compliant Resource (see ASX announcement 18 November 2014).

The Company is not aware of any information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

A previous announcement was made on 21 August 2012 regarding the superseded historical resource at Tincalayu, which is the subject of re-estimation. The company is not in possession of any new information or data relating to historical estimates that materially impacts on the reliability of the estimates or the company's ability to verify the historical estimates as mineral resources, in accordance with the JORC Code. The supporting information provided in the initial market announcement of 21 August 2012 continues to apply and has not materially changed, with the exception of ongoing depletion due to mining.

**Table 7: 2014 Tincalayu Resource Estimate and Cut-Off Grades**

| | Current Production 30Ktpa | | | Expanded Production 100Ktpa | | |
|---|---|---|---|---|---|---|
| | Cut-Off | Tonnes (Mt) | Soluble $B_2O_3$(%) | Cut-Off | Tonnes (Mt) | Soluble $B_2O_3$ (%) |
| Global Resource (Not Limited to a Pit Shell) — with Marginal Cut-Off | | | | | | |
| Indicated | 5.6 | 6.9 | 13.9 | 2.8 | 6.9 | 13.8 |
| Inferred | 5.6 | 9.9 | 10.2 | 2.8 | 13.8 | 8.5 |
| Maximum DCF In-Pit Resource — with Marginal Cut-Off | | | | | | |
| Indicated | 5.6 | 5.1 | 14.7 | 2.8 | 6.8 | 13.8 |
| Inferred | 5.6 | 1.4 | 11.0 | 2.8 | 11.0 | 9.3 |

### Historical Borax Argentina S.A. Resources — Not reported under the JORC Code

| Mine/Project | Material | Historical Estimate | Tonnes | Grade % $B_2O_3$ | Tonnes $B_2O_3$ |
|---|---|---|---|---|---|
| Current Soft Rock Mines | | | | | |
| Sijes — Hydroboracite | Hydroboracite | Measured | 3,099,998 | 22.8 | 706,800 |
| Sijes — Colemanite | Colemanite | Inferred | 200,000 | 20.0 | 40,000 |
| **Total and Average** | | | **3,299,998** | **22.6** | **746,800** |

## Footnotes

The historical estimates are in equivalent categories to those used by the JORC and CIM reporting codes.

However, these estimates did not satisfy either current JORC or CIM/NI 43-101 requirements for the reporting of resources and are considered to be historical resources (see ASX announcement 21 August 2012).

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

The only new information that impacts on these historical estimates is the exploitation of material at Sijes from 2012-2020 which has reduced the historical estimate of Hydroboracite to 2,595,431 tonnes at a grade of 23.31% and Colemanite 171,471 tonnes at a grade of 18.30%. This material mined from 2012-2020 is not accounted for as depletion in the figures above.

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

**Sijes**

- July 1998; Borax; Environmental and Operational Studies, Phase 1, Initial Geotechnical Appraisal; Knight Piesold Limited, England. Includes a Historical estimates Chapter;
- July 1998; Borax; Environmental and operational Studies, Phase 2; Geotechnical Appraisal; Knight Piesold Limited, England;
- May 1999; Borax; Hidroboracite Project, Raul Gutierrez Solis; August 1999, Borax; Sijes, Monte Amarillo 2 Mine.
- Historical Estimation, Mine Design & Planning Report. Knight Piesold Limited, England.

## Properties

Borax also owns the tenure on all or parts of the lithium projects being progressed by other lithium exploration companies, including Lithium Americas Corporation Ltd. (TSX:LAC) at Salar de Cauchari, Nextview New Energy Lion Hong Kong Ltd at Diablillos, and POSCO at Sal de Vida. As one of the conditions to extract brines, these companies are required to make payments to Borax either as fixed annual payments or a royalty related to production. The terms of these agreements are detailed below.

| Company | Project Affected | Area of Properties (hectares) | Date of Contract | Type of Contract* | Remaining Payments | Royalty Payable on Brine Extraction | Period of Usufruct | Comments |
|---|---|---|---|---|---|---|---|---|
| Lithium Americas Corporation/ Ganfeng | Cauchari | 4,130 | 19 May 2011 | Usufruct | $4,000,000 | None | 18 May 2041 | $200,000 per annum payable until 18 May 2041 irrespective of production. |
| Nextview New Energy Lion Hong Kong Ltd* | Diablillos | 698.35 | 14 Jan 2010 | Royalty | N/A | 1% NSR Revenue Based Royalty | | - |
| Nextview New Energy Lion Hong Kong Ltd* | Centenario and Ratones | 630 | 14 Jan 2010 | Royalty | N/A | 1.0% | Indefinite | - |
| Nextview New Energy Lion Hong Kong Ltd* | Los Ratones | 600 | 14 Jan 2010 | Royalty | N/A | 1.0% | Indefinite | - |
| Pluspetrol Resources Corporation B.V | Pozuelos | 2,488 | 14 Jan 2010 | Purchase | N/A | 1.0% | Indefinite | Royalty can be purchased by Pluspetrol for $1,000,000. Borax Argentina S.A. has the right to mine borates. |
| Pluspetrol Resources Corporation B.V | Salinas Grandes | 32,727 | 6 June 2017 | Royalty | N/A | 2% Mine Mouth Royalty | | |

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

# Schedule
# of Tenements

## Project Area: Olaroz

| Tenement Number | Area (Hectares) | Orocobre Interest | Location of Tenements |
|---|---|---|---|
| 1842-S-12 | 2988.19 | 66.5% | Argentina |
| 131-I-1986 | 100 | | Argentina |
| 39-M-1998 | 98.4 | | Argentina |
| 112-G-04 | 100 | | Argentina |
| 117-A-44 | 100 | | Argentina |
| 114-V-44 | 100 | | Argentina |
| 40-M-1998 | 100 | | Argentina |
| 29-M-1996 | 100 | | Argentina |
| 126-T-44 | 100 | | Argentina |
| 393-B-44 | 100 | | Argentina |
| 112-D-44 | 300 | | Argentina |
| 125-S-44 | 100 | | Argentina |
| 319-T-2005 | 1473.97 | | Argentina |
| 147-L-2003 | 1933.81 | | Argentina |
| 943-R-2008 | 563.79 | | Argentina |
| 1136-R-2009 | 1198.21 | | Argentina |
| 1137-R-2009 | 1199.34 | | Argentina |
| 944-R-2008 | 432.3 | | Argentina |
| 1134-R-2009 | 895.7 | | Argentina |
| 1135-R-2009 | 1098.64 | | Argentina |
| 963-R-2008 | 1194.84 | | Argentina |
| 964-R-2008 | 799.84 | | Argentina |
| 056-L-1991 | 300 | | Argentina |
| 1274-O-2009 | 5972 | | Argentina |
| 945-R-2008 | 1493.97 | | Argentina |
| 520-L-2006 | 1896.52 | | Argentina |
| 521-L-2006 | 2048 | | Argentina |
| 522-L-2006 | 2000 | | Argentina |
| 725-L-2007 | 2940.43 | | Argentina |
| 726-L-2007 | 2889.84 | | Argentina |
| 728-L-2007 | 3182.51 | | Argentina |
| 530-L-2006 | 6130.3 | | Argentina |
| 727-L-2007 | 3117.10 | | Argentina |
| 724-L-2007 | 3342.19 | | Argentina |
| 519-L-06 | 2001 | | Argentina |
| 498-B-2006 | 10,000 | | Argentina |

## Project Area: Cauchari

| Tenement Number | Area (Hectares) | Orocobre Interest | Location of Tenements |
|---|---|---|---|
| 2055-R-2014 | 495.38 | South American Salars S.A. (SAS SA) is the holder of all Cauchari tenements. Pursuant to the terms of the Cauchari Joint Venture (i) SAS SA is owned as to 75% by Orocobre and as to 25% by La Fronter Minerals a S.A. and (ii) there is 1% royalty of Cauchari tenements in favour of La Fronter Minerals a S.A. Orocobre holds 100% of La Frontera Minerals SA. | Argentina |
| 2054-R-2014 | 445.74 | | Argentina |
| 2059-R-2014 | 797,12 | | Argentina |
| 2058-R-2014 | 1770.01 | | Argentina |
| 2053-R-2014 | 1997.09 | | Argentina |
| 1155-P-2009 | 1500 | | Argentina |
| 968 –R- 2008 | 1028.73 | | Argentina |
| 1081- P -2008 | 1245.21 | | Argentina |
| 1119-P-2009 | 2493.07 | | Argentina |
| 1082 -P -2008 | 1468.87 | | Argentina |
| 1101 -P -2008 | 2483.9 | | Argentina |
| 966 -R -2008 | 117.70 | | Argentina |
| 965- R -2008 | 1344.97 | | Argentina |
| 951-R-2008 | 797.12 | | Argentina |
| 1083 -P -2008 | 1444.29 | | Argentina |
| 1118-P-2009 | 2395.69 | | Argentina |
| 1130-P-2009 | 1261.75 | | Argentina |
| 952-R-2008 | 487.58 | | Argentina |
| 1084 -P -2008 | 1526.79 | | Argentina |
| 1156-P-2009 | 54.52 | | Argentina |
| 1086- P -2008 | 1716.63 | | Argentina |
| 1085 -P -2008 | 1922.63 | | Argentina |

## Project Area: Salinas Grandes

| Tenement Number | Area (Hectares) | Orocobre Interest | Location of Tenements |
|---|---|---|---|
| 184-Z-1996 | 299.99 | | Argentina |
| 817-I-2007 | 1142.54 | | Argentina |
| 604-T-2006 | 499.99 | | Argentina |
| 788-M-2007 | 1172.92 | | Argentina |
| 183-Z-2004 | 499.98 | | Argentina |
| 184-D-1990 | 99.99 | | Argentina |
| 19391 | 2411.97 | | Argentina |
| 18199 | 500 | | Argentina |
| 67 | 100 | | Argentina |
| 18834 | 495.82 | | Argentina |
| 17734 | 200 | | Argentina |
| 60 | 100 | | Argentina |
| 1104 | 100 | | Argentina |
| 13699 | 100 | | Argentina |
| 18808 | 100 | | Argentina |
| 266 | 100 | | Argentina |
| 18183 | 2778 | | Argentina |
| 12790 | 100 | | Argentina |
| 19891 | 100 | | Argentina |
| 62 | 100 | | Argentina |
| 17681 | 400 | | Argentina |
| 8170 | 300 | | Argentina |
| 18481 | 97.04 | LSC Lithium Inc owns the Salina Grandes Project properties. La Frontera Minerals S.A. (Orocobre 100%) holds a 2% Mine Mouth Royalty over production from Salinas Grandes. | Argentina |
| 1112 | 100 | | Argentina |
| 13487 | 100 | | Argentina |
| 14329 | 100 | | Argentina |
| 57 | 100 | | Argentina |
| 68 | 100 | | Argentina |
| 17538 | 95.43 | | Argentina |
| 14589 | 100 | | Argentina |
| 18924 | 300 | | Argentina |
| 18925 | 99.94 | | Argentina |
| 19206 | 869 | | Argentina |
| 11577 | 100 | | Argentina |
| 11578 | 100 | | Argentina |
| 11579 | 100 | | Argentina |
| 11580 | 100 | | Argentina |
| 1111 | 100 | | Argentina |
| 18833 | 270 | | Argentina |
| 17321 | 186 | | Argentina |
| 53 | 100 | | Argentina |
| 19742 | 2490.07 | | Argentina |
| 19744 | 2499.97 | | Argentina |
| 19766 | 1000 | | Argentina |
| 48 | 100 | | Argentina |
| 203 | 100 | | Argentina |
| 204 | 100 | | Argentina |
| 54 | 100 | | Argentina |
| 63 | 100 | | Argentina |

## Project Area: Salinas Grandes (continued)

| Tenement Number | Area (Hectares) | Orocobre Interest | Location of Tenements |
|---|---|---|---|
| 50 | 100 | LSC Lithium Inc owns the Salina Grandes Project properties. La Frontera Minerals S.A. (Orocobre 100%) holds a 2% Mine Mouth Royalty over production from Salinas Grandes. | Argentina |
| 1105 | 100 | | Argentina |
| 65 | 100 | | Argentina |
| 70 | 100 | | Argentina |
| 206 | 100 | | Argentina |
| 86 | 300 | | Argentina |
| 17744 | 500 | | Argentina |
| 18533 | 97.03 | | Argentina |
| 17580 | 100 | | Argentina |

## Project Area: Salar del Hombre Muerto—Tincalayu

| Tenement Number | Area (Hectares) | Orocobre Interest | Location of Tenements |
|---|---|---|---|
| 1271 | 300 | 100% Borax Argentina S.A. (BRX SA). POSCO SA holds an usufruct to extract brines from 1215, 5596, 13848, 1495 and 17335. | Argentina |
| 1215 | 300 | | Argentina |
| 1495 | 200 | | Argentina |
| 7772 | 471 | | Argentina |
| 5596 | 300 | | Argentina |
| 5435 | 300 | | Argentina |
| 8529 | 900 | | Argentina |
| 13572 | 647 | | Argentina |
| 13848 | 100 | | Argentina |
| 17335 | 274.32 | | Argentina |

## Project Area: Salar Santa Rosa de los Pastos Grandes—Sijes

| Tenement Number | Area (Hectares) | Orocobre Interest | Location of Tenements |
|---|---|---|---|
| 8587 | 799 | 100% Borax Argentina S.A. (BRX SA). | Argentina |
| 11800 | 488 | | Argentina |
| 11801 | 400 | | Argentina |
| 11802 | 3399 | | Argentina |
| 14121 | 10 | | Argentina |
| 5786 | 200 | | Argentina |
| 14801 B (Demasía Sijes) | 18 | | Argentina |
| 20605 (Mina Rio Sijes) | 100 | | Argentina |

## Project Area: Salar de Cauchari

| Tenement Number | Area (Hectares) | Orocobre Interest | Location of Tenements |
|---|---|---|---|
| 394 B | 300 | 100% Borax Argentina S.A. (BRX SA). Exar SA holds a usufruct over all tenements for the extraction brines. | Argentina |
| 336 C | 100 | | Argentina |
| 347 C | 100 | | Argentina |
| 354 C | 160 | | Argentina |
| 340 C | 100 | | Argentina |
| 444 P | 100 | | Argentina |
| 353 C | 300 | | Argentina |
| 350 C | 100 | | Argentina |
| 89 N | 100 | | Argentina |
| 345 C | 100 | | Argentina |
| 344 C | 100 | | Argentina |
| 343 C | 100 | | Argentina |
| 352 C | 100 | | Argentina |
| 351 C | 100 | | Argentina |
| 365 V | 100 | | Argentina |
| 122 D | 100 | | Argentina |
| 221 S | 100 | | Argentina |
| 190 R | 100 | | Argentina |
| 116 D | 100 | | Argentina |
| 117 D | 300 | | Argentina |
| 389 B | 100 | | Argentina |
| 206 B | 24 | | Argentina |
| 402 B | 119 | | Argentina |
| 195 S | 100 | | Argentina |
| 220 S | 100 | | Argentina |
| 259 M | 100 | | Argentina |
| 43 E | 100 | | Argentina |
| 341 C | 100 | | Argentina |
| 42 D | 100 | | Argentina |
| 438 G | 100 | | Argentina |
| 160 T | 100 | | Argentina |
| 378 C | 100 | | Argentina |
| 339-C | 100 | | Argentina |
| 377-C | 100 | | Argentina |
| 191-R | 100 | | Argentina |

## Project Area: Salar de Diablillos

| Tenement Number | Area (Hectares) | Orocobre Interest | Location of Tenements |
|---|---|---|---|
| 1175 | 100 | | Argentina |
| 1176 | 100 | | Argentina |
| 1164 | 100 | | Argentina |
| 1172 | 100 | | Argentina |
| 1165 | 100 | | |
| 1166 | 100 | | Argentina |
| 1179 | 100 | | Argentina |
| 1180 | 200 | | Argentina |
| 1182 | 100 | 100% Potasio y Litio de Argentina S.A. (PLASA) is the holder of all Diablillos tenure.<br>Borax holds an usufruct for the extraction of borates from the Diablillos tenements.<br>Orocobre holds a 1% net revenue royalty overall production by PLASA from the tenements. | Argentina |
| 1195 | 100 | | Argentina |
| 1206 | 100 | | Argentina |
| 1168 | 100 | | Argentina |
| 1163 | 100 | | Argentina |
| 1167 | 100 | | Argentina |
| 1170 | 100 | | Argentina |
| 1174 | 100 | | Argentina |
| 1171 | 100 | | Argentina |
| 7021 | 100 | | Argentina |
| 1181 | 100 | | Argentina |
| 12653 | 200 | | Argentina |
| 1173 | 100 | | Argentina |
| 1169 | 100 | | Argentina |
| 1178 | 100 | | Argentina |
| 12652 | 200 | | Argentina |

# **Shareholder** and ASX Information

The following additional information is required by the Australian Securities Exchange Limited (ASX) and is not disclosed elsewhere in this report.

The following information is provided as at 9 August 2021.

## Distribution of Shareholders

**Range of Units Snapshot** Fully Paid Ordinary Shares (Total) as at 9 August 2021 | Composition: CA, ORD

| Range | Total Holders | Units | % Units |
|---|---|---|---|
| 1 – 20,000 | 13,454 | 34,665,740 | 10.07 |
| 20,001 – 40,000 | 292 | 8,157,853 | 2.37 |
| 40,001 – 50,000 | 43 | 1,918,554 | 0.56 |
| 50,001 – 60,000 | 31 | 1,732,380 | 0.50 |
| 60,001 – 65,000 | 13 | 807,989 | 0.23 |
| 65,001 – 70,000 | 12 | 818,892 | 0.24 |
| 70,001 – 80,000 | 15 | 1,124,580 | 0.33 |
| 80,001 – 90,000 | 15 | 1,305,188 | 0.38 |
| 90,001 Over | 105 | 293,824,546 | 85.33 |
| Rounding | | | 0.01 |
| **Total** | **13,980** | **344,355,722** | **100.00** |

### Unmarketable Parcels

| | Minimum Parcel Size | Holders | Units |
|---|---|---|---|
| Minimum $ 500.00 parcel at $ 8.5800 per unit | 59 | 370 | 2,310 |

## 20 Largest Holder Accounts — Ordinary Shares

| Rank | Name | Units | % Units |
|---|---|---|---|
| 1 | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 67,433,844 | 19.58 |
| 2 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 61,050,957 | 17.73 |
| 3 | TOYOTA TSUSHO CORPORATION | 39,296,636 | 11.41 |
| 4 | BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM | 29,463,690 | 8.56 |
| 5 | CITICORP NOMINEES PTY LIMITED | 17,633,545 | 5.12 |
| 6 | CANADIAN REGISTER CONTROL\C | 15,263,518 | 4.43 |
| 7 | NATIONAL NOMINEES LIMITED | 10,056,404 | 2.92 |
| 8 | BNP PARIBAS NOMS PTY LTD <DRP> | 8,414,899 | 2.44 |
| 9 | BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C> | 7,111,986 | 2.07 |
| 10 | BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C> | 3,411,550 | 0.99 |
| 11 | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 3,335,202 | 0.97 |
| 12 | MR DENIS GRENVILLE HINTON + MRS ROSLYN SUSANNA HINTON | 3,042,281 | 0.88 |
| 13 | ECAPITAL NOMINEES PTY LIMITED <ACCUMULATION A/C> | 2,279,750 | 0.66 |
| 14 | MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED | 1,885,066 | 0.55 |
| 15 | MR ROBERT BRUCE WOODLAND + MRS ERIKA WOODLAND <R WOODLAND EXHIBIT S/F A/C> | 1,437,500 | 0.42 |
| 16 | FAIRGROUND PTY LTD | 1,174,131 | 0.34 |
| 17 | CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C> | 973,702 | 0.28 |
| 18 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C> | 832,637 | 0.24 |
| 19 | BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C> | 793,955 | 0.23 |
| 20 | NAMBIA PTY LTD <THE ANTHON FAMILY S/F A/C> | 768,074 | 0.22 |

## Substantial Shareholders

The following are substantial shareholder accounts listed in the Company's register as at 10 August 2021.

| Rank | Shareholder Name | Number of Shares Held | % of Total Capital |
|---|---|---|---|
| 1 | Toyota Tsusho Corporation | 39,296,636 | 11.4 |
| 2 | Australian Super | 24,174,686 | 7.4 |
| 3 | Svenska Handelsbanken AB Publ | 21,434,139 | 6.2 |

## Securities on Issue

The following securities were on issue as at 30 June 2021.

| Number | Class |
|---|---|
| 344,158,072 | Ordinary (ORE) |
| 599,270 | ASX Code OREAS–Performance Rights exercisable at $0.00, 30 days after the later of 31 August 2021 or the date of release of the Company's financial results for FY21. |
| 1292960 | ASX Code OREAS–Performance Rights exercisable at $0.00, 30 days after the later of 31 August 2022 or the date of release of the Company's financial results for FY22. |
| 1294166 | ASX Code OREAS–Performance Rights exercisable at $0.00, 30 days after the later of 31 August 2022 or the date of release of the Company's financial results for FY23. |
| 197650 | In lieu of FY20 STI cash payments |
| 139500 | COVID-19 recognition award |

The following unlisted performance rights lapsed in accordance with the terms of their grant.

| ASX Code | Expiry Date | Lapse Date | Exercise Price | Number of Performance Rights |
|---|---|---|---|---|
| OREA | 30-Sep-20 | 14-Sep-20 | $0.00 | 394211 |
| OREA | 30-Sep-21 | FY21 | $0.00 | 71044 |
| OREA | 30-Sep-22 | FY21 | $0.00 | 92313 |

## Voting Rights

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting has one vote on a show of hands. There are no voting rights attached to the Performance Rights but voting as detailed above will attach to the ordinary shares issued when the Performance Rights are exercised.

## Registers of Securities are held at the following addresses

**Computershare Investor Services Pty Limited**
Level 1 – 200 Mary Street
Brisbane, Queensland 4000 Australia

**Computershare Investor Services Inc**
100 University Avenue, 8th Floor
Toronto ON, M5J 2Y1 Canada

## Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on the ASX Limited. Ordinary shares of the Company are also listed on the Toronto Stock Exchange (TSX).

## Technical Information, Competent Persons' and Qualified Persons' Statements

The resource model and brine resource estimate on the Salar de Olaroz was undertaken by Mr. John Houston, an independent consultant employed by John Houston Consulting, who is a Chartered Geologist and a Fellow of the Geological Society of London. Mr. Houston 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.

The Feasibility Study on the Olaroz Lithium Facility was prepared by Mr. Houston and Mr. Michael Gunn, an independent consultant employed by Gunn Metals, together with Sinclair Knight Merz and the Orocobre technical group. Mr. Houston and Mr. Gunn prepared the technical report entitled "Technical Report — Salar de Olaroz Lithium-Potash Project, Argentina" dated May 13, 2011 (the "Olaroz Report") under NI 43-101 in respect of the Feasibility Study, and each of Messrs.

Mr. Houston and Mr. Gunn was a Qualified Person under NI 43-101, and independent of the company, at the date such report was prepared. Mr. Gunn is a Member of the Australian Institute of Mining and Metallurgy and is consulting mineral processing engineer with approximately forty years' experience.

The information relating to the Olaroz project is extracted from the report entitled "NI 43-101 "Technical Report — Salar de Olaroz Lithium-Potash Project, Argentina", dated 13 May 2011 and can be viewed at www.orocobre.com.

The Company is not aware of any information or data that materially affects the information included in the original market announcement. All material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. However, it is noted that in addition to the original resource the company has defined an exploration target detailed in the announcement dated 23 October 2014, "Olaroz Project Large Exploration Target Defined Beneath Current Resource" that immediately underlies the resource. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement for the resource estimate.

This information in regard to the Olaroz Lithium Facility, with the exception of the information pertaining to the defined exploration target in 2014, was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The exploration target defined underlying the resource at Olaroz was defined by Mr. Murray Brooker, an independent consultant employed by Hydrominex Geoscience Pty Ltd. Mr. Brooker is a geologist and hydrogeologist and is a Member of the Australian Institute of Geoscientists. Mr. Brooker has sufficient relevant experience to qualify as a competent person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. He is also a "Qualified Person" as defined by Canadian Securities Administrators' National Instrument 43-101. The exploration target is defined as between 1.6 and 7.5 million tonnes of lithium carbonate equivalent between 197m and 323m depth. The basin is potentially 600m deep and additional targets exist to the north and the south of the defined exploration target. It must be stressed that an exploration target is not a mineral resource. The potential quantity and grade of the exploration target is conceptual in nature, and there has been insufficient exploration to define a Mineral Resource in the volume where the Exploration Target is outlined. It is uncertain if further exploration drilling will result in the determination of a Mineral Resource in this volume.

The information in this report that relates to exploration reporting at the Cauchari project has been prepared by Mr. Frits Reidel. Mr. Reidel is a Certified Professional Geologist and member of the American Institute of Professional Geologists. Mr. Reidel is General Manager and Principal with FloSolutions and is independent of Orocobre. Mr. Reidel has sufficient relevant experience to qualify as a competent person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. He is also a "Qualified Person" as defined in NI 43-101. Mr. Reidel consents to the inclusion in this announcement of this information in the form and context in which it appears. The resource information in relation to Cauchari is extracted from the report entitled NI43-101 Technical Report Cauchari JV Project — Updated Mineral Resource Estimate, dated 19 April 2019. The report is available to view on the Company website www.orocobre.com.

The information in this report that relates to resources at the Borax Tincalayu and Porvenir sites has been prepared by Mr. Murray Brooker. Mr. Brooker, an independent consultant employed by Hydrominex Geoscience Pty Ltd is a geologist and hydrogeologist and is a Member of the Australian Institute of Geoscientists. Mr. Brooker has sufficient relevant experience to qualify as a competent person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. He is also a "Qualified Person" as defined by Canadian Securities Administrators' National Instrument 43-101. The information in this report pertaining to Tincalayu is extracted from the announcement titled Tincalayu Upgraded to JORC Compliant Resource, dated 18 November 2014 and the NI-43-101 Report titled "Technical Report on the Tincalayu Borax Mine", dated 31 December 2014. The information in this report pertaining to Porvenir is extracted from the report entitled Amended Announcement to Porvenir Historical Estimate Upgraded to JORC Compliant Resource (see ASX announcement 29 April 2014). Reports for both these projects are available to view on the Company website www.orocobre.com.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the references above and that all material assumptions and technical parameters underpinning the resource estimates continue to apply and have not materially changed. The Company also confirms that the form and context in which the Competent Person's findings are presented have not been materially modified. The Company also confirms that the form and context in which the Competent Person's findings are presented have not been materially modified.

An announcement was made on the 21 August 2012 regarding the superseded historical resource at Tincalayu. The Company is not in possession of any new information or data relating to historical estimates that materially impacts on the reliability of the estimates or the company's ability to verify the historical estimates as mineral resources, in accordance with the JORC Code. The supporting information provided in the initial market announcement on 21 August 2012 continues to apply and has not materially changed. Additional information relating to the Company's projects is available on the Company's website www.orocobre.com.

## Caution Regarding Forward Looking Information

Reports published by the Company contain "forward-looking information" within the meaning of applicable securities legislation. Forward-looking information may include, but not be limited to, the results of the Olaroz Feasibility Study, the estimation and realisation of mineral resources at the Company's projects, the viability, recoverability and processing of such resources, costs and timing of development of the Olaroz project, the forecasts relating to the lithium, potash and borate markets including market price whether stated or implied, demand and other information and trends relating to any market tax, royalty and duty rates, timing and receipt of approvals for the Company's projects, consents and permits under applicable legislation, adequacy of financial resources, the meeting of banking covenants contained in project finance documentation, production and other milestones for the Olaroz Lithium Project, the Olaroz Lithium Project's future financial and operating performance including production, rates of return, operating costs, capital costs and cash flows, potential operating synergies, other matters related to the development of Olaroz and Cauchari, the performance of the borax plant at Tincalayu, including without limitation the plant's estimated production rate, financial data, the estimates of mineral resources or mineralisation grade at the Tincalayu mine, the economic viability of such mineral resources or mineralisation, mine life and operating costs at the Tincalayu mine, the projected production rates associated with the borax plant.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from those expressed or implied by such forward-looking information, including but not limited to the risk that further funding may be required, but unavailable, for the ongoing development of the Company's projects; the possibility that required concessions may not be obtained, or may be obtained only on terms and conditions that are materially worse than anticipated;

changes in government taxes, levies, regulations, policies or legislation; fluctuations or decreases in commodity prices; the possibility that required permits or approvals may not be obtained; uncertainty in the estimation, economic viability, recoverability and processing of mineral resources; fluctuations or decreases in commodity prices general risks associated with the feasibility of the Company's projects; risks associated with construction and development of the Olaroz Lithium Facility; unexpected capital or operating cost increases; risks associated with weather patterns and impact on production rate and the uncertainty of meeting anticipated program milestones at the Company's projects; positive or negative impacts of climate change; general risks associated with the operation of the borax plant; a decrease in the price for borax resulting from, among other things, decreased demand for borax or an increased supply of borax or substitutes.

Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following:

- Public health crises, epidemics, and pandemics such as the COVID-19 pandemic;
- The extent of the impact of the COVID-19 pandemic, including the duration, spread, severity, and any recurrence of the COVID-19 pandemic, the duration and scope of related government orders and restrictions, the impact on our employees, and the extent of the impact of the COVID-19 pandemic on overall demand for lithium, borates or other products and services provided by the Company;
- Local, regional, national, and international economic conditions that have deteriorated as a result of the COVID-19 pandemic, including the risks of a global recession or a recession in one or more of our key markets, the impact that these economic conditions may have on us and our customers, and our assessment of that impact; and
- The impact of the COVID-19 pandemic on our suppliers, including disruptions and inefficiencies in the supply chain.

The Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable. Assumptions have been made regarding, among other things: the Company's ability to carry on its exploration and development activities, the timely receipt of required approvals, the prices of lithium, potash and borates, the ability of the Company to operate in a safe, efficient and effective manner and the ability of the Company to obtain financing as and when required and on reasonable terms. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used.

There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information.

Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

# Corporate Directory

## Directors

**Mr. Robert Hubbard**
(Non-Executive Chairman)

**Mr. Martín Pérez de Solay**
(Managing Director)

**Mr. Richard Seville**
(Non-Executive Director)

**Mr. John Gibson, Jr.**
(Non-Executive Director)

**Mr. Fernando Oris de Roa**
(Non-Executive Director)

**Ms. Patricia Martinez**
(Non-Executive Director)

**Ms. Leanne Heywood**
(Non-Executive Director)

**Mr. Masaharu Katayama**
(Non-Executive Director)

## Secretaries

**Mr. Neil Kaplan**

**Mr. Rick Anthon**

## Registered Office

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Brisbane, Queensland 4000 Australia

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## ACN

112 589 910

## Auditors

**Ernst & Young Australia**
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Brisbane, Queensland 4000 Australia

## Legal Advisers

**Saravia Frias Cornejo Abogados**
Rivadavia 378 (A4400BTH)
Salta Argentina

**McCarthy Tetrault LLP**
Suite 5300 TD Bank Tower
Toronto Dominion Centre
66 Wellington Street West
Toronto ON M5K1E6 Canada

**Jones Day**
Riverside Centre — Level 31
123 Eagle Street
Brisbane, Queensland 4000 Australia

## Share Registries

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