Orocobre Limited
ABN 31 112 589 910

CONSOLIDATED FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

OROCOBRE

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CORPORATE INFORMATION

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Mr. Robert Hubbard

Managing Director & CEO

Mr. Martín Pérez de Solay

Non-Executive Directors

Mr. Richard Seville

Mr. John Gibson, Jr

Mr. Fernando Oris de Roa

Mr. Federico Nicholson

Ms. Leanne Heywood

Mr. Masaharu Katayama

Joint Company Secretary

Mr. Neil Kaplan

Mr. Rick Anthon

COMPANY

Orocobre Limited
ACN 112 589 910

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Your Directors submit the financial report of the consolidated group for the half-year ended 31 December 2019.

DIRECTOR'S REPORT

The following persons were Directors of the Company during the half-year and at the date of this report:

- R. Hubbard (Non-Executive Chairman)
- M. Pérez de Solay
- R. P. Seville
- J. W. Gibson
- L. Heywood
- F. Oris de Roa
- F. Nicholson
- M. Katayama

REVIEW & RESULTS OF OPERATIONS

Group Financial Performance

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

Summary of results for the half-year ended 31 December 2019

	Group		Olaroz (100%)	
	31 Dec 2019 US $'000	31 Dec 2018 US $'000	**31 Dec 2019 US $'000**	31 Dec 2018 US $'000
Summary of results for the half year ended 31 December 2019				
Revenue	**48,966**	9,285	**39,375**	63,480
EBITDAIX [1]	**2,144**	(3,308)	**6,079**	36,571
Less depreciation & amortisation	**(8,307)**	(18)	**(7,771)**	(4,435)
EBITIX [2]	**(6,163)**	(3,326)	**(1,692)**	32,136
Less interest	**(6,178)**	6,902	**(11,944)**	(10,878)
EBTIX [3]	**(12,341)**	3,576	**(13,636)**	21,258
Less impairment	**(5,890)**	(188)	**(1,063)**	-
Less foreign currency loss	**(7,691)**	(3,321)	**(5,147)**	(6,828)
Less share of associate losses	**(639)**	(769)	**-**	-
Add share of profit of joint ventures, net of tax	**-**	24,752	**-**	-
Segment (loss)/profit for the half year before tax	**(26,561)**	24,050	**(19,846)**	14,430
Income tax	**7,618**	-	**7,618**	21,167
Net (loss)/profit	**(18,943)**	24,050	**(12,228)**	35,597

1. EBITDAIX - Group earnings before interest, taxes, depreciation, amortisation, impairment and foreign currency gains/(losses), share of associate losses and share of profit from joint ventures'
2. EBITIX - Group earnings before interest, taxes, impairment and foreign currency gains/(losses), share of associate losses and share of profit from joint ventures'
3. EBTIX - Group earnings before taxes, impairment and foreign currency gains/(losses), share of associate losses and share of profit from joint ventures'

These measures are non-IFRS financial information and have not been subject to audit by the Company's external auditor.

OTHER FINANCIAL METRICS	GROUP RESULTS **31 Dec 2019 US $'000**	GROUP RESULTS 30 Jun 2019 US $'000	Olaroz (100%) **31 Dec 2019 US $'000**	Olaroz (100%) 30 Jun 2019 US $'000
Cash and cash equivalent	195,025	279,798	22,648	29,925
Net assets	717,006	734,696	305,946	317,762
Net tangible asset/share	2.74	2.81		

KEY OPERATIONAL RESULTS	Olaroz (100%) **31 Dec 2019 US $'000**	Olaroz (100%) **31 Dec 2018 US $'000**
Lithium carbonate produced	6,679 tonnes	6,075 tonnes
Lithium carbonate sold	6,395 tonnes	5,163 tonnes
Realised lithium carbonate price	US$6,157/tonne	US$12,295/tonne
Gross cash margin - lithium carbonate	US$1,514/tonne	US$8,044/tonne
Cash cost of goods sold - lithium carbonate	US$4,643/tonne	US$4,251/tonne

Group Profit Overview

The Orocobre Group (the Group) produced a consolidated net loss after tax of US$18.9 million (31 December 2018: Profit of US$24.1 million). The net loss after tax includes US$21.9 million of non-cash charges of which impairment is US$5.9 million (including a US$4.1 million write down of the investment in Advantage Lithium Corp. (Advantage), foreign exchange losses are US$7.7 million, and depreciation is US$8.3 million. Interest charges during the half were US$6.2 million including US$3.2 million of non-cash charges. Group EBITDAIX was positive US$2.1 million.

The net assets of the Group decreased slightly to US$717.0 million as at 31 December 2019 (30 June 2019: US$734.7 million), including cash balances of US$195 million (30 June 2019: US$279.8 million). The reduction in cash balance of US$84.8 million at 31 December 2019 is mainly due to investments in plant and equipment and development of assets, and repayment of external borrowings.

Group exploration and evaluation expenditure for the half-year totalled US$3.2 million (31 December 2018: US$3.6 million). Construction of Stage 2 Olaroz Lithium Facility Expansion has reached approximately 25% completion with approximately US$105 million spent cumulatively as at 31 December 2019.

Olaroz Performance

Olaroz produced net loss after tax of US$12.2 million (31 December 2018: Profit of US$35.6 million) which included foreign exchange losses of US$5.1M, an impairment charge of US$1.1M, depreciation and amortisation of

US$7.8M, interest charges of US$11.9M (which includes US$6.0 million of non-cash interest related to shareholder loans) and a positive income tax charge of US$7.6M.

Revenues of US$39.4 million (31 December 2018: US$63.5 million) were generated on sales of 6,395 tonnes of lithium carbonate (31 December 2018: 5,163 tonnes) at an average price of US$6,157/tonne (31 December 2018: US$12,295/tonne).

EBITDAIX of US$6.1 million (31 December 2018: US$36.6 million) was lower than previous corresponding period predominantly due to weak market price. The decrease in sales price by approximately 50% has directly contributed to lower gross profit margin of 25% (31 December 2018: 65%). Cash cost of sales was US$4,643/tonne for the half year.

A cost reduction plan commenced prior to the end of the second quarter. The execution of such plan resulted in restructuring costs of US$0.4 million (31 December 2018: nil).

Foreign currency losses for the period of US$5.1 million (31 December 2018: US$6.8 million) were largely due to the effect of a 41.0% devaluation of the Argentine Peso (ARS) against the US Dollar (US$) on the Value Added Tax (VAT) receivables and other net accounts receivable balances which are ARS based.

The income tax benefit of US$7.6 million (31 December 2018: US$21.2 million) resulted from a reduction of the deferred tax liabilities due to the loss for the period and change in corporate income tax rate. The reduction of the corporate tax rate from 30% to 25% has deferred until 1 January 2021.

OLAROZ LITHIUM PROJECT (OROCOBRE 66.5%) – OPERATIONAL UPDATE

The Olaroz Lithium Facility is operated through Sales de Jujuy S.A. (SDJ), a 91.5% owned subsidiary of SDJ PTE, a Singaporean company owned by Orocobre (72.68%) and Toyota Tsusho Corporation (TTC) (27.32%). The effective Olaroz Project equity interest is Orocobre 66.5%, TTC 25% and Jujuy Energia y Mineria Sociedad del Estado (JEMSE) 8.5%. The above holdings exclude any look through ownership of the 15% holding that TTC has in Orocobre.

In a period of challenging market conditions, Olaroz achieved record production in Q1 FY20 and remains operating cash flow positive throughout the half (excluding finance costs).

Operations

The Olaroz Lithium Facility (Olaroz) is located in the Jujuy Province of northern Argentina, 230 kilometres northwest of the capital city San Salvador de Jujuy. Operations are at an altitude of approximately 3,900 metres above sea level. The first large scale brine-based lithium chemicals facility to be commissioned in approximately 20 years, Olaroz produces high quality lithium carbonate chemicals for both the battery and industrial markets. It is the only brine-based operation in the world with an integrated purification circuit.

Safety

As clearly defined in the Company's strategy, safety (along with quality and productivity) remained the Company's key focus during H1 FY20. Orocobre strongly believes safety is the foundation to improved performance, with training and safety programs that deliver lasting results being delivered throughout the half.

Olaroz continues to implement a comprehensive safety culture change plan, born from an exhaustive safety audit conducted by DuPont in FY18. A key initiative was consolidating Intelex as the central safety management database. Intelex provides a streamlined, mobile and comprehensive mechanism for safety observations, incident reporting and investigation.

Process hazard identification and control reporting has been established, as well the implementation of a Management of Change process - a systematic approach to safely manage modifications to production processes.

During Q1 FY20 a scheduled large-scale plant maintenance shutdown was successfully completed at Olaroz without any Lost Time Injuries (LTI) or environmental incidents. This involved over 300 people working simultaneously on the facilities with the common objective of executing 125 scheduled tasks. The complexity of the work was high, and it was completed without incident. The project required comprehensive collaboration across all departments, a commitment to a shared objective and detailed programming and compliance.

With the increase in Stage 2 Expansion related activities, additional measures have been put in place to mitigate the inherently increased risk of safety incidents occurring during the construction phase. Significant progress has been made with the reporting of safety observations after employees completed training aimed at increasing their awareness and understanding of near miss incidents. The 'root cause' investigation process for incidents involving injuries or incidents with high potential for injury is now more vigorous and is being applied consistently to all reportable events.

The central safety committee and five subcommittees (training, operational discipline, audit, risk management and incident investigation), established in Q4 FY19, continue to make good progress establishing improved 'operating discipline', via specialised operator training programs and more frequent risk assessments.

Three LTIs were recorded at Olaroz during H1 FY20.

Quality

Market quality and specification requirements continued to evolve during H1 FY20. To meet changing customer needs, Olaroz implemented a continuous improvement and product development program in Q2 FY20. Activity to date has seen a reduction of product impurity levels, changes to product packaging and research on process variations.

Ongoing refinement of the pond management system and brine inventory is anticipated to provide improved operational resilience with seasonal weather variations.

New pond availability and tailoring of production has resulted in brine with a more consistent lithium concentration being delivered to the plant and improved process recovery. With production processes attaining greater stability, statistical analysis has confirmed a sustained improvement of process capability (defined as C_{pk}) regarding the final product analytical profile. For both industrial and battery grade products, this program is delivering higher processing capability and improved product quality and consistency.

Productivity / Costs / Sales

In H1 FY20, 6,679 tonnes of lithium carbonate were produced, up 10% from 6,075 in the previous corresponding period (PCP). Sales revenue was US$39.4 million on sales of 6,395 tonnes, a decrease of 8% on the previous half. Cash cost of sales for the half-year was US$4,643/tonne (excluding royalties and head office costs) and the average price received was US$6,157/tonne, resulting in gross cash margins of US$1,514/tonne after adjustments, down from US$4,508/tonne in the previous half.

Production in Q1 FY20 totalled 3,093 tonnes - the highest ever production recorded in a September quarter - up from 2,293 tonnes on PCP despite the previously mentioned scheduled large-scale plant maintenance shutdown. The scheduled plant maintenance shutdown was completed under budget and saw a full shutdown of production for five days and one of the two reactor vessels out of operation for the remainder of the month. Operational improvements were undertaken to enhance soda ash dosing in the plant's reactors, resulting in lower soda ash consumption rates. Lime consumption was also reduced after upgrades to the liming plant's ball mill and the implementation of better controls across key operative processes.

Salt harvesting activities were also completed during Q1 FY20, with all eight Stage 1 harvest ponds cleared of harvestable salts. 4,363 tonnes of Lithium Carbonate Equivalent was collected during the harvesting process, equivalent to 132% of forecast recoveries. With the increase in pond area from the Stage 2 Expansion, future salt harvesting activities will become a continuous process where ponds are harvested on a rotational basis over a three-year cycle.

Production in Q2 FY20 was 3,586 tonnes down from 3,782 tonnes on PCP as management of finished product inventories was prioritised given the prevailing market conditions. During Q2 FY20 Olaroz reduced operating costs 16% quarter on quarter and achieved a gross cash margin of 24% to retain positive operational cashflow. The focus for operations during the quarter was on process stability and product quality rather than maximizing production tonnage.

Q2 FY20 product pricing was below that of Q1 FY20 following the Company's decision to meet competitor pricing to ensure retention of market share (see ASX Release dated 3 December 2019). Throughout H1 FY20 product pricing was below that of H2 FY19 due to ongoing market softness.

Weak market conditions have persisted longer than expected, driven by a recurring set of demand fundamentals. However, there are some encouraging demand indicators and supply curtailments that have emerged in H1 FY20 which are expected to progressively improve market balance throughout H2 CY20.

A regimented financial plan was implemented at the end of the half with the aim of reducing unit cash cost of sales and sustaining the current competitive position as one of the world's lowest cost, brine-based lithium carbonate producers.

Long term contracts

In January 2020, Orocobre Limited and its' joint sales and marketing agent, Toyota Tsusho Corporation signed two contracts for the supply of battery grade lithium carbonate to top tier Chinese cathode manufacturers (see ASX Releases dated 20, 21 January 2020). The two contracts total more than 10,000 tonnes of product from Olaroz.

One contract is for supply of a total 7,200 tonnes of battery grade lithium carbonate and the second contract is for supply of a total 2,880 tonnes of micronised battery grade lithium carbonate. Both contracts will see the total tonnages delivered over three years with the first shipments expected to commence during Q3 FY20.

These contracts demonstrate Orocobre and TTC successfully pursuing a commercial strategy of selling a greater proportion of Olaroz products under long-term sales agreements, with key customers.

Future Production & Guidance

Orocobre expects full-year production (FY20) will be at least 5% higher than FY19. Product prices for the March quarter are expected to be approximately US$5,000/tonne FOB.

OLAROZ LITHIUM FACILITY – STAGE 2 EXPANSION

The Olaroz Stage 2 Expansion will increase total expected lithium carbonate production capacity to approximately 42,500 tonnes per annum (tpa). Stage 2 will produce industrial grade (>99.0% Li_2CO_3) lithium carbonate, part of which will be utilised as feedstock for the proposed Naraha Lithium Hydroxide Plant. The current capital expenditure for Stage 2 is expected to be US$295 million.

Finalisation of Finance Facility

During Q1 FY20 Orocobre announced the finalisation of the finance facility for the Olaroz Stage 2 Expansion. Comprehensive project finance documentation between Orocobre, TTC, SDJ, Jujuy Energia y Minera Sociedad del Estado (JEMSE), Mizuho Bank Ltd and Japan Oil, Gas and Metals National Corporation (JOGMEC) was executed for a US$180 million debt facility (the Facility) that will be used for the Stage 2 Expansion.

Under the terms of the January 2018 Share Subscription Agreement between TTC and Orocobre the parties agreed to provide non cash-backed guarantees for the Facility. Orocobre also agreed to hold US$135 million of cash in a separate reserve account. The cash will be held in an interest-bearing term deposit by Orocobre and may be utilised to meet any Stage 2 Expansion cost overruns and other defined events should they occur. Upon completion of Stage 2 Expansion 82.35% of the Orocobre/TTC guarantee will be replaced by a guarantee from JOGMEC and that proportion of the US$135 million cash will then be available for Orocobre corporate purposes.

Subsequent to the end of the half year, the conditions precedent were achieved for the new facility from Mizuho allowing drawdown of the first tranche of funding. The remaining capital that is required for the Stage 2 Expansion has been provided through shareholders loans from Orocobre (75%) and TTC (25%).

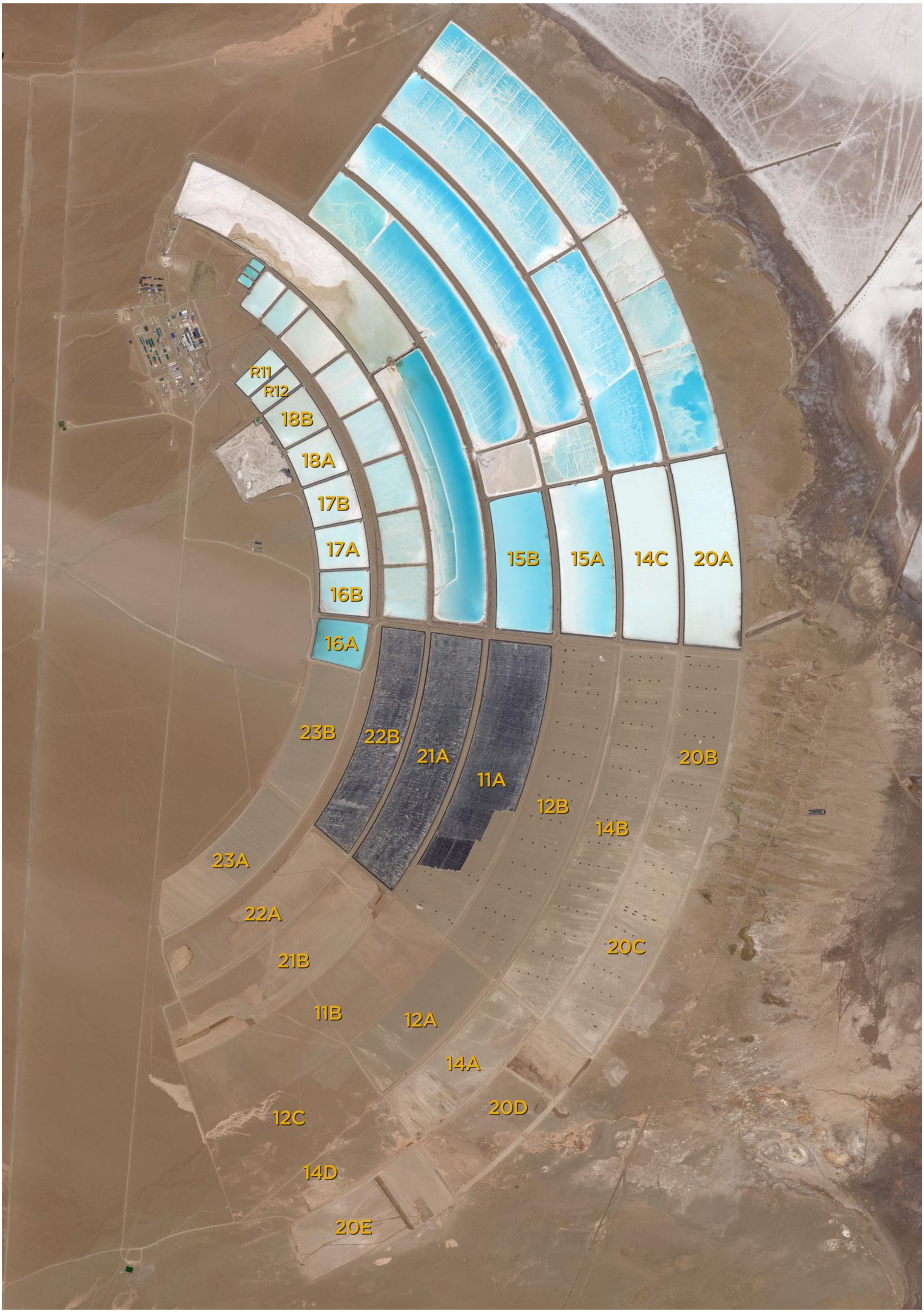
Progress to Date

As at 31 December 2019, approximately 25% of planned Stage 2 Expansion works had been completed, with approximately US$105 million (excluding VAT) spent on the first phase of expansion activities – including approximately US$30 million of pre-payments made to suppliers. Works completed during H1 FY20 included construction of brine transport systems, new evaporation ponds, rain diversion channels, roads and camp upgrades. The construction, drilling and testing of new production wells continued to advance, with those production wells completed in Q2 FY20 delivering flow rates and lithium concentrations that exceeded original expectations. By the end of the half, five wells have been completed and a further five are being drilled.

During Q4 FY19 invitations to tender were sent out for the design, construction and related earthworks for several new buildings required for the Stage 2 Expansion. By the end of the half-year all tenders had been reviewed and awarded, allowing construction of the main buildings to begin before the wet season. The Company continues to actively engage services from the local community, e.g. labour hire and rental accommodation.

After being awarded the Engineering, Procurement, Management and Construction contract for the EPCM aspects of the Stage 2 Expansion in Q1 FY20, international engineering and construction company Worley commenced by defining the project's safety execution plan. By the end of Q2 FY20 Worley had completed engineering design work and begun onsite supervisory works. The detailed engineering for the new carbonate plant, lime plants and soda ash plant is expected to be completed in June half. Structural steel for the new carbonation module arrived in Chile at the end of Q2 FY20 and is being transported to Olaroz. Following the completion of contract awards, civil works for the EPC modules is due to commence in the June half.

As at the date of this report, three new evaporation ponds had been completed (20A, 22B, 21A) with vegetation clearing and construction of a further 16 evaporation ponds underway (11A, 12B, 14B, 20B, 20C, 23B, 23A, 22A, 21B, 11B, 12A, 12C, 14A, 14D, 20D, 20E). Construction of a secondary liming plant was completed, with commissioning commencing in Q2 FY20. The secondary lime plant will be upgraded to include slaking capacity in Q3 FY20 which is expected to reduce operating costs.



As at 21 February 2020 three new evaporation ponds had been completed with an additional 16 under construction

NARAHA LITHIUM HYDROXIDE PLANT

Update on Progress

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 tpa Naraha Plant will be sourced from the Olaroz Stage 2 Expansion that will produce industrial grade (>99.0% Li_2CO_3) lithium carbonate.

Sale of the lithium hydroxide is to be managed by TTC and Orocobre 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. A cathode manufacturing plant is already in operation in the immediate vicinity and plans have been announced to develop a battery manufacturing facility nearby. The Naraha Plant will provide Orocobre invaluable product diversification and will further cement the Company's position as a global lithium chemicals producer operating in the bottom quartile of the lithium cost curve.

During Q1 FY20 Orocobre Managing Director and CEO Mr. Martín Pérez de Solay, together with TTC and Toyotsu Lithium Corporation representatives hosted a ground breaking ceremony at the Naraha Lithium Hydroxide Plant (Naraha Plant) to signify the commencement of construction (see ASX Release dated 6 August 2019). Commissioning of the Naraha Plant is expected to commence during H1 CY21.

Since construction commenced at the Naraha Plant there have been no LTIs recorded. Veolia is undertaking weekly safety meetings and regular site safety checks, with Veolia Water Technologies and TTC project staff continuing to attend safety training in alignment with the project's rigorous safety management plan.

At the end of the half-year, approximately US$39.3 million had been spent on the first phase of engineering, civil works and procurement at the Naraha Plant which included the first two progress payments made to the project's Engineering - Procurement - Construction contractor, Veolia Water Technologies. Construction activities for the half-year progressed well with more than 40% of planned works completed. Construction is expected to accelerate during Q3 FY20 as more than 95% of purchase orders for key Naraha Plant components and equipment have been placed.

Civil and architectural construction of several key plant components commenced during Q2 FY20, including construction of Li_2CO_3 and LiOH storage facilities, offices, laboratory, a wastewater treatment plant, the kiln structure, plant foundations, roads, parking facilities and liquid CO_2 storage foundations. Fabrication of the Naraha Plant's Process and Utilities equipment will continue in Q3 FY20, with detailed engineering reviews underway for the plant's piping, insulation and local construction design, together with a review of the electrical and instrumentation design. Discussions are ongoing with the Veolia Joint Venture's plant design engineers with the objective of minimising any impurity sources from plant feed and raw materials entering the plant.

Aerial view of the Naraha Lithium Hydroxide Plant construction site

BORAX ARGENTINA S.A. (OROCOBRE 100%)

Borax has a fifty-year production history producing borax chemicals, boric acid and boron minerals. The production currently comes from the principal mines at Tincalayu and Sijes with mines and concentrators, a sodium borate manufacturing plant at Tincalayu and a plant at Campo Quijano producing boric acid and anhydrous products.

Sales for the half-year were US$9.6 million (H1 FY19 US$9.3 million) and a net loss after tax of US$3.2 million (31 December 2018: net loss of US$2.3 million) was generated. EBITDAIX for the period was a loss of US$0.2 million (31 December 2018: positive US$0.6 million)

A total of 21,094 tonnes of combined products were sold in H1 FY20, an increase of 4.7% on the PCP despite a weaker Brazilian market at the end of the half. Over the half, business development initiatives were converted into new sales and supply agreements were signed with world-class players in the fertilizer and industrial sectors. Additionally, several new product distributors are being developed throughout Asia.

Combined product sales volume by quarter:

PREVIOUS YEAR QUARTERS		RECENT QUARTERS	
March 2018	9,079	March 2019	13,041[1]
June 2018	10,590	June 2019	11,758
September 2018	9,407	September 2019	12,480
December 2018	10,741	December 2019	8,614

[1] Includes 2,312 tonnes of low value mineral product (see ASX Release dated 17 April 2019)

Production and Commercial

Operations have continued to focus on minimising the cost of production during the half, with unit costs continuing to be controlled. Stock inventory levels remain well above minimum required levels.

Two LTIs were recorded at the Tincalayu mine during the half.

MARKETS

Lithium Markets

Lithium market conditions remained difficult for most of the half, however some encouraging demand indicators and further supply curtailments emerged in late CY19/early CY20 and these are expected to progressively improve market balance in CY20. The Company expects to see a weak market for the second half of FY20, with a potential market balance improvement becoming evident in the first half of FY21. In the short-term, higher than normal inventory levels in some parts of the supply chain are expected to temper price recovery concealing underlying improvements in demand.

The impact of COVID-19 is expected to be short term but it has resulted in supply and demand reductions in China with the suspension of many manufacturing operations. Upon the restart of these operations there have been reports of increases in the cost of production due to the limited availability of raw materials and logistics options.

Demand

During the Q2 FY20, the lithium market remained challenged by the same set of demand fundamentals as recent quarters, including slower Chinese electric vehicle (EV) market growth, a sluggish Chinese economy and the United States (US)/China trade war. While there was no demand catalyst to alleviate lithium price pressure, several positive demand signals emerged late in the December quarter/early CY20 relating to both the China/Ex-China EV market. In addition, improvements in energy storage technologies are addressing safety issues that have previously inhibited uptake.

In November 2019, Tesla successfully opened the Shanghai Gigafactory, increasing production to ~1000 EVs per week and ~5% share of the China market by year end. Tesla later announced a reduction in the starting price of its China-built Model 3 sedans by 9% in January 2020 to help close the gap with local manufacturers. The company also announced plans to release a China-centric EV suited to local preferences with a competitive price of US$25K. As sentiment showed early signs of turning in January 2020, the US and Chinese governments announced phase 1 of a trade deal defusing an 18-month period of uncertainty which commenced at approximately the same time the lithium market showed the first signs of softening.

Europe showed the most encouraging signs of growing demand during the quarter which included higher EV sales year-on-year, continued expansion commitments for cathode and battery capacity within Europe and a further 3.2 billion Euro (US$3.55 billion) commitment from the European Commission to the local battery supply chain. Building on these 2019 achievements, the phase-in of the CO_2 emissions penalties during 2020 in preparation for full implementation in 2021 is anticipated to support momentum in the European EV market. Subsequent to the end of the calendar year the United Kingdom has indicated it will bring forward a ban in internal combustion engines from 2040 to 2035. China and other Asian nations are similarly introducing CO_2 emission regulations that are likely to further stimulate demand for electric vehicles.

Supply

Seaborne carbonate prices Ex-China have remained under pressure during the half, with persisting supply from Chinese producers exacerbated by soft domestic demand. Despite this pressure, Ex-China prices failed to reach the price lows recorded by Chinese carbonate imports late in the quarter as Chinese customers' preference for spot shipments facilitated continued price declines throughout Q2 FY20.

Chinese imports of lithium chemicals grew at the expense of new, independent supply of spodumene concentrate. Growing pressure on non-integrated Australian hard rock suppliers became increasingly apparent resulting in one mine going into care and maintenance. Meanwhile, others announced a shift from continuous to campaign-based production driven by customer orders rather than the previous approach of maximizing operational output. It is anticipated that supply curtailments will continue in CY20 for those operations most sensitive to price pressure. South American brine producers continue to participate in the market due to their lower cost base.

Borates Markets

The Borax business continues to progress on the path of market development with new products, new applications for existing products and continuing to grow the customer base with new supply agreements established with world-class players in the fertilizer and industrial sectors. Sales are demonstrating good growth rates YOY in accordance with GDP growth in key demand markets. The number of larger corporate customers continues to increase on the back of a sound value proposition of security of supply, proximity to market, short delivery lead times, quality product and good service.

Production rates have continued to improve, with negligible CAPEX refurbishment of plant and equipment undertaken during H1 FY20 delivering improved production efficiencies. Production unit costs continue to be maintained at or near the lowest levels on record.

Market conditions remain fundamentally unchanged with market price levels for the main product groups remaining subdued during H1 FY20. The primary focus for Borax remains on the Southern Cone markets, with these markets delivering good growth for Borax even in challenging economic times.

The strategy for developing Hydroboracite markets (Borax Argentina is the main producer in the world for this borate mineral) succeed achieving new long-term agreements for supplying Hydroboracite to top tier frits manufacturers, and other main customers in agricultural markets as well.

ADVANTAGE LITHIUM CORP.

Advantage Lithium Corp. (TSX VENTURE: AAL) (OTCQX: AVLIF) manages a portfolio of high-quality assets in Argentina, including the Cauchari Joint Venture in which Orocobre holds a 25% interest. Orocobre also holds approximately 34.7% of Advantage's common shares.

During Q1 FY20 Orocobre agreed to support a Private Placement by Advantage. Orocobre's investment in this capital raise was C$1,536,025 and following completion of the placement, Orocobre holds 34.7% of Advantage's Common Shares (56,564,909).

During Q2 FY20 Advantage released a Pre-Feasibility Study (PFS) in accordance with Canadian standards on the Cauchari Lithium Project to the TSXV.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During Q2 FY20 the National Executive Power of Argentina re-introduce foreign currency controls. The foreign currency controls had a twofold impact on the company's availability to continue with its US$ denominated onshore borrowings. Firstly, US$ lending was limited domestically due the migration of US$ deposits from the domestic banking system leading to SDJ having to reduce its US$ borrowings. And secondly, it restricted the local currency indebtedness for export companies to ARS 1.5 billion (approximately US$25M). The foreign currency controls also require export companies which generate foreign currency revenues to bring sales collections onshore and convert to ARS, with certain exceptions such as repayment of offshore borrowings in place prior to 2 September 2019.

In addition, the National Congress of Argentina announced a new law aimed at improving productivity and social security. Among the changes most relevant to the Company, was the delayed reduction of the corporate income tax rate. Currently sitting at 30%, the reduction to 25% will now take effect on 1 January 2021 (originally scheduled to be reduced on 1 January 2020). The withholding tax rate applicable to foreign dividends distribution remained unchanged at 7% for a further 12 months, with it now scheduled to increase to 13% from 1 January 2021. These changes apply to Orocobre's 66.5% subsidiary SDJ and Borax.

The new law also extended the temporary export tax, initially enacted on 4 September 2018, applicable to all exports up to 31 December 2021 (previously only applicable until 31 December 2020) at a maximum rate of 8%. Currently the rate is calculated at ARS3 for each US$1 which is equates to a duty of approximately 5% on export sales revenue from SDJ and Borax.

The ARS:US$ exchange rate depreciated by 4% during Q2 FY20. As of 30 September 2019, the rate was ARS57.59/US$1 and this weakened to ARS59.89/US$1 as of 31 December 2019, whilst inflation for the same period was 12%. When looking at the accumulated 12-month period from 1 January 2019 to 31 December 2019, devaluation of the ARS against the US$ was 59% versus inflation of approximately 54%. Over time, inflation and devaluation generally cancel each other out.

New Chief Operating Officer

At the end of Q1 FY20, the Company welcomed Mr. Hersen Porta into the role of Chief Operating Officer. Hersen has significant experience in process engineering, production, process control and quality performance and additionally has been involved with commissioning of several new chemical plants which will be invaluable experience as the Olaroz Stage 2 Expansion is completed.

Hersen is responsible for overseeing the operations of both Olaroz and Borax Argentina S.A. (Borax). Primarily responsible for operational performance, Hersen has already enacted several new initiatives in the production process that has seen Olaroz product quality improve.

SUBSEQUENT EVENTS

Orocobre and Advantage announced on 19 February 2020 they have entered a Definitive Agreement (the Agreement) pursuant to which Orocobre will acquire 100% of the issued and outstanding shares of Advantage that it does not already own.

Under the terms of the Agreement, Advantage Shareholders will receive 0.142 shares of Orocobre per Advantage share. Based on the 18 February 2020 closing price of Orocobre shares on the ASX of A$3.29 per share this equates to a value of approximately C$0.42 per Advantage share.

The Arrangement will be implemented through a triangular amalgamation under the Business Corporations Act (British Columbia) in which a wholly-owned subsidiary of Orocobre will amalgamate with Advantage to become a wholly-owned subsidiary of Orocobre. Advantage shareholders will receive Orocobre shares based on the Exchange Ratio. The Agreement will be an Arm's Length Transaction pursuant to the policies of the Toronto Stock Exchange and the TSX Venture Exchange.

RISKS

Orocobre's business faces certain risks that could affect the success of the strategies and the outlook for future financial years. At Olaroz these risks include, but are not limited to:

- the continued growth and rate of growth in the demand for electric vehicles and the economic viability of electric vehicles relative to internal combustion engine vehicles
- the development and adoption of new battery technologies that may rely on inputs other than lithium
- the current size of the Mineral Resource at Olaroz and the current lack of Reserves (as defined under the JORC Code) or the inability to expand operations beyond current committed projects
- the continuing development and improvement of good operating practices
- the optimisation of plant performance and the associated production rate ramp-up
- the successful, on time and on budget construction and commissioning of the Stage 2 Expansion of Olaroz
- the achievement of set performance targets for Stage 2 Olaroz expansion due to incorrect selection of technology, wrong planning assumptions, performance of contractors/subcontractors, incorrect operational assumptions, poor construction management etc.
- production of in-specification product as required by customers for Stage 1 and Stage 2

- the achievement of the design production rates for Stage 1 and Stage 2
- the brine grade and quality of the brine feedstock
- the expected operating costs including fluctuations in the energy and reagent cost and the comparison of these costs to the operating costs of competitors
- the ongoing working relationship between SDJ and the Province of Jujuy (JEMSE)
- increasing competition from competitors and the prices for the commodities sold by the Company
- the meeting of all relevant banking covenants in respect to the operation of Olaroz
- ineffective marketing of Olaroz production due to lack of experience or resources leading to suboptimal commercial outcomes.

With respect to Borax the risks associated with the business include:

- weaknesses in the Company's traditional markets
- strong competition from other producers in these markets
- challenges in developing new markets
- the implementation of unit cost reduction measures
- environmental or other legacy issues arising from historical operations.

With respect to Naraha the risks associated with the construction, commissioning and operation of the lithium hydroxide plant include risks similar in nature to the Stage 2 expansion of Olaroz in addition to the following:

- the on-going relationship with (TTC as manager of the Naraha plant)
- the quality and consistency of feedstock available to the Naraha plant
- the on-going relationship with Japanese governments, regulatory bodies, communities and other stakeholders
- the ability to ensure fair, representative and market competitive pricing for LiOH products being sold to Japanese entities that are formally or informally related to TTC.

Other risks applicable to all Orocobre operations and businesses include:

- ineffective management of health and safety resulting in injury/loss of life as well as operation, financial, reputational or regulatory implications
- damage, destruction or impact on plant, other physical assets or supply chain e.g. by fire or explosion, or by on/offsite natural disaster
- the on-going mutually beneficial relationship with joint venture partner, marketing partner and significant shareholder Toyota Tsusho Corporation or the risk of misalignment of interests
- Argentina sovereign risk both at a national and provincial level and the political and financial risks typically associated with developing countries including reliance on government for the grant and renewal of mining concessions, environmental permits and water access rights
- changes in government taxes, levies, regulations, policies or legislation
- fluctuations or decreases in product prices and currency
- the impact of high rates of inflation on local costs
- the ongoing impact of devaluation of the ARS
- adverse conditions in the global economy and financial markets or downturns in customers end markets, including the impact of natural disasters, climate change, pandemics and other major adverse events
- risks associated with adverse weather patterns resulting from climate change and consequent potential negative impacts on production rates
- labour disputes, the retention of key employees and availability of a skilled local workforce
- loss of support by local communities and activism challenging Orocobre's "social licence" due to actual or perceived concerns
- the quality of operational and financial management information leading to inaccurate forecasting and loss of confidence in the Company
- competitors may develop more effective and successful products impacting sales and profitability
- the loss of one or more large customers

- the loss of one or more key management or the inability to replace staff creating gaps in knowledge, experience and relationships
- inadequate, strategic and corporate planning leading management and the business to allocate time, effort and resources into the wrong priorities and initiatives
- actual or alleged fraudulent or corrupt activities involving company assets
- environmental or other accident/disaster at a non-Orocobre managed joint venture or investment
- supply chain disruption to operations due to natural disaster, commercial failure of operator, industrial action or other cause
- benefits from future acquisitions may not be realised or unanticipated costs may occur during and after integration
- the loss of intellectual property or commercially sensitive information from cyber security breaches, employees (or ex-employees), theft or other causes
- there may not be an active, liquid trading market for Orocobre securities
- the Orocobre securities price can fluctuate significantly and investors may not be able to sell their shares for the value of which they were purchased
- the Board of Orocobre has not yet decided if/when it will declare dividends
- sudden changes in the local financial system that may affect the operations.

The Company has in place risk management policies and systems to mitigate these risks wherever possible, including monitoring ongoing exploration results, monthly review of operational results for SDJ and Borax and continued discussions with Orocobre's partners and the government of Argentina. Within its operations in Argentina, the company is aligning with Risk Management standard ISO 31000 as part of its Integrated Management System, to enable a comprehensive approach to risk across all areas of activity.

During FY19 the Company commissioned an external risk management review to formulate a comprehensive enterprise-wide risk management framework based on the principles ISO 31000. The structure facilitates continuous improvement of Orocobre's risk management capability, with roles and responsibilities of varying degrees of accountability at all levels of the organisation.

Orocobre considers risk an inherent component of all business activities that can be minimised with effective identification and management strategies. The framework was developed on the basis that everyone involved with the Company's activities (e.g. employees, contractors, partners etc.) should be risk-aware, identify and manage sources of risk, and communicate incidents. Where risk presents itself as an opportunity or is connected to an opportunity, the business follows a structured risk process to determine the risk versus reward relationship.

Standalone risk assessments will continue to be conducted in accordance with existing policies, and in areas requiring specific methodological approaches such as climate risk and human rights risk, but all will be considered in conjunction with this enterprise risk management framework.

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 Project, the Olaroz 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/expansion of Olaroz; 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; 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.

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.

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'S INDEPENDENCE DECLARATION

The auditor's independence declaration under the Corporations Act 2001 is included in this half-year financial report.

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

Robert Hubbard
Chairman

Dated this: 21st day of February 2020
Brisbane, Queensland

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Auditor's Independence Declaration to the Directors of Orocobre Limited

As lead auditor for the review of the half-year financial report of Orocobre Limited for the half-year ended 31 December 2019, 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 review; and

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

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

Ernst & Young

Andrew Carrick
Partner
21 February 2020

FINANCIAL REPORT

for the period ended 31 December 2019

Contents

Consolidated income statement

for the period ended 31 December 2019

	Note	31 Dec 2019 US $'000	31 Dec 2018 US $'000
Revenue	1	**48,966**	9,285
Cost of sales		**(32,218)**	(6,541)
Gross profit		**16,748**	2,744
Other income		**11**	67
Corporate & administrative expenses	2a	**(10,796)**	(5,660)
Selling costs	2b	**(3,819)**	(459)
Depreciation & amortisation expense		**(8,307)**	(18)
Impairment of assets	3	**(5,890)**	(188)
Share of net gains of joint ventures	6	**-**	24,752
Share of net losses of associates	10	**(639)**	(769)
Foreign currency (loss)/gain	2c	**(7,691)**	(3,321)
(Loss)/Profit before interest and income tax		**(20,383)**	17,148
Finance income	2d	**3,609**	6,929
Finance costs	2e	**(9,787)**	(27)
(Loss)/Profit before income tax		**(26,561)**	24,050
Income tax benefit/(expense)	4	**7,618**	-
(Loss)/Profit for the period		**(18,943)**	24,050
(Loss)/Profit for the year attributable to:			
Owners of the parent entity		**(14,880)**	24,050
Non-controlling interests		**(4,063)**	-
		(18,943)	24,050
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic (loss)/earnings per share (cents per share)	5	**(5.69)**	9.21
Dilutive (loss)/earnings per share (cents per share)	5	**(5.69)**	9.16
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company			
Basic (loss)/earnings per share (cents per share)	5	**(5.69)**	9.21
Dilutive (loss)/earnings per share (cents per share)	5	**(5.69)**	9.16

The accompanying notes form part of these financial statements.

Consolidated statement of comprehensive income

for the period ended 31 December 2019

	Note	31 Dec 2019 US $'000	31 Dec 2018 US $'000
(Loss)/Profit for the period		**(18,943)**	24,050
Other comprehensive income/(loss)			
(Items that may be reclassified subsequently to profit or loss)			
Translation gains/(losses) on foreign operations - subsidiaries	8b	**(42)**	1,055
Translation gains/(losses) on foreign operations - associates	8b	**(64)**	-
Net gains/(losses) on revaluation of derivatives		**412**	(214)
Net gains/(losses) on revaluation of financial assets - associates	8b	**30**	(432)
Other comprehensive (loss)/profit for the period, net of tax		**336**	409
Total comprehensive (loss)/ income for the period, net of tax		**(18,607)**	24,459
Total comprehensive (loss)/income attributable to:			
Owners of the parent entity		**(14,698)**	24,459
Non-controlling interests		**(3,909)**	-
		(18,607)	24,459

The accompanying notes form part of these financial statement.

Consolidated balance sheet

as at 31 December 2019

	Note	31 Dec 2019 US $'000	30 Jun 2019 US $'000
Current assets			
Cash and cash equivalents	7	**195,025**	279,798
Trade and other receivables		**19,557**	22,510
Inventory		**44,426**	45,620
Prepayments		**6,067**	14,408
Total current assets		**265,075**	362,336
Non-current assets			
Trade and other receivables		**14,665**	13,194
Inventory		**36,323**	34,537
Other financial assets	7	**17,171**	17,171
Property, plant and equipment		**744,561**	643,730
Intangibles		**834**	920
Exploration, evaluation and development assets		**15,109**	11,833
Investment in associates	10	**25,151**	28,779
Total non-current assets		**853,814**	750,164
Total assets		**1,118,889**	1,112,500
Current liabilities			
Trade and other payables		**32,976**	32,027
Derivative financial instruments		**1,986**	1,797
Loans and borrowings	7	**63,374**	76,695
Provisions		**961**	923
Lease liabilities		**2,758**	-
Total current liabilities		**102,055**	111,442
Non-current liabilities			
Trade and other payables		**2,942**	1,398
Derivative financial instruments		**4,729**	5,658
Loans and borrowings	7	**113,542**	102,849
Deferred tax liability		**121,669**	129,121
Provisions		**31,091**	27,336
Lease liabilities		**25,855**	-
Total non-current liabilities		**299,828**	266,362
Total liabilities		**401,883**	377,804
Net assets		**717,006**	734,696
Equity			
Issued capital	8a	**527,716**	527,716
Reserves	8b	**(17,294)**	(32,176)
Retained earnings		**107,616**	136,279
Equity attributable to the owners of Orocobre		**618,038**	631,819
Equity attributable to the non-controlling interests		**98,968**	102,877
Total Equity		**717,006**	734,696

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

for the period ended 31 December 2019

	Note	Issued capital US $'000	Retained earnings US $'000	Reserves US $'000	Non-controlling interests US $'000	Total US $'000
Balance as at 1 July 2018		527,364	81,663	(106,923)	-	502,104
Profit for the period		-	24,050	-	-	24,050
Other comprehensive profit for the period	8b	-	-	409	-	409
Total comprehensive profit/(loss)		-	24,050	409	-	24,459
Shares issued during the period	8a	352	-		-	352
Share-based payments		-	-	866	-	866
Other movements		-	-	25	-	25
Balance as at 31 December 2018		527,716	105,713	(105,623)	-	527,806
Balance as at 1 July 2019		**527,716**	**136,279**	**(32,176)**	**102,877**	**734,696**
Loss for the period		**-**	**(14,880)**	**-**	**(4,063)**	**(18,943)**
Other comprehensive profit for the period	8b	**-**	**-**	**182**	**154**	**336**
Total comprehensive (loss)/profit		**-**	**(14,880)**	**182**	**(3,909)**	**(18,607)**
Share-based payments	8b	**-**	**-**	**917**	**-**	**917**
Realisation of OCI to retained earnings	8b	**-**	**(427)**	**427**	**-**	**-**
Transfer of retained earnings to legal & discretionary reserve	8b	**-**	**(13,356)**	**13,356**	**-**	**-**
Balance as at 31 December 2019		**527,716**	**107,616**	**(17,294)**	**98,968**	**717,006**

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

for the period ended 31 December 2019

	Note	**31 Dec 2019 US $'000**	31 Dec 2018 US $'000
Cash flows from operating activities			
Receipts from customers		**50,364**	9,068
Payments to suppliers and employees		**(51,009)**	(15,294)
Interest received		**4,471**	3,572
Interest paid		**(5,916)**	(240)
Net cash generated from operating activities		**(2,090)**	(2,894)
Cash flows from investing activities			
Payments for exploration, evaluation and development expenditure		**(3,336)**	(3,593)
Purchase of property, plant and equipment		**(74,123)**	(574)
Investment in associates	10	**(1,178)**	(3,883)
Net cash used in investing activities		**(78,637)**	(8,050)
Cash flows from financing activities			
Proceeds from issue of shares	8a	**-**	352
Proceeds from borrowings		**48,842**	-
Repayment of borrowings		**(51,514)**	(334)
Repayment of lease liabilities		**(859)**	-
Loan to joint ventures		**-**	(21,000)
Net cash provided by financing activities		**(3,531)**	(20,982)
Net decrease in cash and cash equivalents		**(84,258)**	(31,926)
Cash and cash equivalents, net of overdrafts, at the beginning of the period		**279,798**	316,681
Effect of exchange rates on cash holdings in foreign currencies		**(515)**	(544)
Cash and cash equivalents, net of overdrafts, at the end of the period		**195,025**	284,211

The accompanying notes form part of these financial statements.

Notes to the financial statements

for the period ended 31 December 2019

About this report

Orocobre Limited (the Company) is a limited company incorporated and domiciled in Australia whose shares are publicly traded. The principal activities of the Company and its subsidiaries (the Group) are the production and development of industrial chemicals in Argentina. The interim consolidated financial statements of the Group for the six months ended 31 December 2019 were authorised for issue, in accordance with a resolution of the directors, on 21 February 2020.

Basis of preparation:

- The interim consolidated financial statements for the six months ended 31 December 2019 have been prepared in accordance with AASB 134 Interim Financial Reporting.
- The statements are on a historical cost basis and are in US$.
- The half-year has been treated as a discrete reporting period.
- The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements. It is recommended that the half-year financial statements be read in conjunction with the Group’s annual report for the year ended 30 June 2019 and considered together with any public announcements made by the Group during the half-year ended 31 December 2019 in accordance with the continuous disclosure obligations of the ASX listing rules.
- The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2019 except for new accounting standards adopted. New standards and amendments to standards mandatory for the first time for the financial year beginning 1 July 2019 have been adopted. The adoption of these standards had an impact on the current period, but no impact on the prior period. Note 11 contains the details of the adoption.
- Where necessary, comparative information has been restated to conform with changes in presentation in the current year.

On 1 January 2019, Orocobre gained control of Sales de Jujuy Pte Ltd (SDJ PTE), following the signing of a new shareholders agreement with Toyotsu Lithium Pte Ltd (TLP) a subsidiary of Toyota Tsusho Corporation (TTC). SDJ PTE is consolidated by virtue of Orocobre's contractual rights which permit it to exercise control over certain policies and activities of SDJ PTE. As at 31 December 2019, the Group’s interest in SDJ PTE is as a subsidiary. A joint marketing agreement for production from stages 1 and 2, where the partners work together to set the strategic direction of customer arrangements and commercial terms and a management agreement establishing a 1.5% management fee of gross revenue reported by Olaroz will be payable to Orocobre effective from 1 July 2019, was also signed.

Foreign currency translation

The functional currency of the entities within the Group is US$, with exception of Borax Argentina S.A. (ARS), and Advantage Lithium Corp. (CAD) 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:

Spot Rates	31 December 2019	30 June 2019	Movement (%)
ARS -> US$ 1	**59.8900**	42.4630	(41.04%)
C$ -> US$ 1	**1.3051**	1.3100	0.37%
YEN -> US$ 1	**108.7032**	107.7142	(0.92%)
Average Rates (6 months)	**31 December 2019**	31 December 2018	Movement (%)
ARS -> US$ 1	**54.8729**	34.5424	(58.86%)
C$ -> US$ 1	**1.3202**	1.3808	4.39%
YEN -> US$ 1	**108.0162**	n/a	n/a

Notes to the financial statements

for the period ended 31 December 2019

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 US$, and the Group's functional currency is US$, there is no material impact 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 the 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.

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 Chief Executive Officer (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.

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

For the period ending 31 December 2019

	Corporate US $'000	Borax US $'000	Olaroz i) US $'000	Total Underlying US $'000	Elimination US $'000	Total Group US $'000
Revenue	-	9,591	39,375	48,966	-	48,966
EBITDAIX [1]	(3,704)	(231)	6,079	2,144	-	2,144
Less depreciation & amortisation	(257)	(279)	(7,771)	(8,307)	-	(8,307)
EBITIX [2]	(3,961)	(510)	(1,692)	(6,163)	-	(6,163)
Less interest (costs)/income	8,824	(70)	(11,944)	(3,190)	(2,988)	(6,178)
EBTIX [3]	4,863	(580)	(13,636)	(9,353)	(2,988)	(12,341)
Less impairment	(4,133)	(694)	(1,063)	(5,890)	-	(5,890)
Foreign currency (losses)/gains	(146)	(1,971)	(5,147)	(7,264)	(427)	(7,691)
Add share of loss of associates, net of tax	(639)	-	-	(639)	-	(639)
Segment profit/(loss) for the year before tax	(55)	(3,245)	(19,846)	(23,146)	(3,415)	(26,561)
Income tax	-	-	7,618	7,618	-	7,618
Total profit/(loss) for the year	(55)	(3,245)	(12,228)	(15,528)	(3,415)	(18,943)

i) The Olaroz segment represents 100% of the company as this reflects how the COD reviews them. As at 1 January 2019, the Olaroz segment has been consolidated in the Group’s results. Prior to this, the results of the segment were eliminated.

Notes to the financial statements

for the period ended 31 December 2019

Note 1: Segment reporting (continued)

For the period ending 31 December 2018

	Corporate US $'000	Borax US $'000	Olaroz i) US $'000	Total Underlying US $'000	Elimination & equity accounting add back US $'000	Total Group US $'000
Revenue	-	9,285	63,480	72,765	(63,480)	9,285
EBITDAIX [1]	(3,891)	583	36,571	33,263	(36,571)	(3,308)
Less depreciation & amortisation	(18)	-	(4,435)	(4,453)	4,435	(18)
EBITIX [2]	(3,909)	583	32,136	28,810	(32,136)	(3,326)
Less interest income/(costs)	6,731	171	(10,878)	(3,976)	10,878	6,902
EBTIX [3]	2,822	754	21,258	24,834	(21,258)	3,576
Less impairment	-	(188)	-	(188)	-	(188)
Foreign currency (losses)/gains	(443)	(2,878)	(6,828)	(10,149)	6,828	(3,321)
Add share of loss of associates, net of tax	(769)	-	-	(769)	-	(769)
Add share of profit of joint ventures, net of tax	-	-	-	-	24,752	24,752
Segment profit/(loss) for the year before tax	1,610	(2,312)	14,430	13,728	10,322	24,050
Income tax	-	-	21,167	21,167	(21,167)	-
Total profit/(loss) for the year	1,610	(2,312)	35,597	34,895	(10,845)	24,050

i) The Olaroz segment represents 100% of the company as this reflects how the COD reviews them. As at 1 January 2019, the Olaroz segment has been consolidated in the Group's results. Prior to this, the results of the segment were eliminated.

[1] EBITDAIX - Segment earnings before interest, taxes, depreciation, amortisation, impairment, foreign currency gains/(losses), share of associate losses, share of profit from joint ventures.
[2] EBITIX - Segment earnings before interest, taxes, impairment, foreign currency gains/(losses), share of associate losses, share of profit from joint ventures.
[3] EBTIX - Segment earnings before taxes, impairment, foreign currency gains/(losses), share of associate losses, share of profit from joint ventures.

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

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 recognized 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's customers are non-government customers with short term contracts. The Group does not have contract assets or contract liabilities arising from contracts with customers, other than trade receivables. Revenue is recognised on an as invoiced basis; therefore no price allocation is required.

Notes to the financial statements

for the period ended 31 December 2019

Note 1: Segment reporting (continued)

Disaggregation of the Group's revenue from contracts with customers

Segments		**Olaroz * 2019 US $'000**	**Borax 2019 US $'000**	**Total 2019 US $'000**
Type of Goods	**Timing of Recognition**			
Lithium Carbonate	A Point in Time	**39,375**	**-**	**39,375**
Borax	A Point in Time	**-**	**3,993**	**3,993**
Borax Acid	A Point in Time	**-**	**2,977**	**2,977**
Hydroboracite	A Point in Time	**-**	**2,254**	**2,254**
Other	A Point in Time	**-**	**367**	**367**
Total Revenue from contracts with customers		**39,375**	**9,591**	**48,966**
Geographical Markets				
Asia		**24,987**	**1,186**	**26,173**
Europe		**12,219**	**43**	**12,262**
South America		**-**	**7,900**	**7,900**
North America		**2,169**	**-**	**2,169**
Other		**-**	**462**	**462**
Total Revenue from contracts with customers		**39,375**	**9,591**	**48,966**

Segments		Olaroz * 2018 US $'000	Borax 2018 US $'000	Total 2018 US $'000
Type of Goods	**Timing of Recognition**			
Borax	A Point in Time	-	4,560	4,560
Boric Acid	A Point in Time	-	1,864	1,864
Hydroboracite	A Point in Time	-	1,931	1,931
Other	A Point in Time	-	930	930
Total Revenue		-	9,285	9,285
Geographical Markets				
Asia		-	820	820
Europe		-	115	115
South America		-	7,856	7,856
Other		-	494	494
Total Revenue		-	9,285	9,285

* For the period 1 July 2018 – 31 December 2018 Olaroz was equity accounted for and therefore no revenue from contracts with customers was recognised.

Note 2: Expenses, finance income and finance costs

	31 Dec 2019 US $'000	31 Dec 2018 US $'000
2a) Corporate & Administrative expenses		
Employee benefit expenses	**(4,837)**	(2,105)
Legal and consulting fees	**(930)**	(326)
Share-based payments	**(905)**	(767)
Travel	**(647)**	(460)
Insurance	**(730)**	(301)
Office & communication expenses	**(829)**	(445)
Listing & investor relations costs	**(265)**	(287)
Bank fees	**(467)**	(178)
Environmental monitoring & studies	**(431)**	-
Other costs	**(755)**	(791)
Total corporate expenses	**(10,796)**	(5,660)

2b) Selling costs		
Export duties	**(2,558)**	(366)
Mining royalty	**(296)**	(72)
Other selling costs	**(965)**	(21)
Total selling costs	**(3,819)**	(459)

2c) Foreign currency loss		
Total foreign currency loss	**(7,691)**	(3,321)

2d) Finance income		
Interest income on loans receivable [i]	**-**	2,126
Interest income from short term deposits	**3,228**	3,904
Changes in value of financial assets & liabilities	**381**	899
Total finance income	**3,609**	6,929

i) Interest income on loans receivable is non-cash and will be recovered on repayment of the loans. The amount relates to interest from SDJ JV in the period 1 July 2018 - 31 December 2018 when the entity was equity accounted for and the interest was not eliminated on consolidation.

2e) Finance costs		
Interest expense on external loans and borrowings & other finance costs amortised	**(6,232)**	(240)
Interest expense on loans and borrowings from related parties [i]	**(507)**	-
Other finance costs related to related party loans	**(1,274)**	-
Change in fair value of financial assets and liabilities	**(656)**	258
Interest expense - lease liabilities	**(888)**	-
Unwinding of the rehabilitation provision	**(230)**	(45)
Total finance costs	**(9,787)**	(27)

i) Interest expense on loans and borrowings from related parties is non-cash and will be repaid on repayment of the loans. US$1,145,000 of the interest expense has been capitalised to property, plant and equipment.

Notes to the financial statements

for the period ended 31 December 2019

Note 3: Significant Items

	Note	31 Dec 2019 US $'000	31 Dec 2018 US $'000
Significant items included in Profit from continuing operations			
Inventory write downs and reduction to net realisable value		**(1,227)**	(188)
Impairment of trade receivables		**(26)**	-
Impairment of exploration and evaluation asset		**(60)**	-
Impairment of property plant and equipment		**(444)**	-
Impairment of investment in associates	10	**(4,133)**	-
Restructuring costs [i)]		**(620)**	-
Total significant items		**(6,510)**	(188)

i) Restructuring costs incurred to date have been included in the corporate and administrative costs line in the P&L

Note 4: Income tax benefit/(expense)

The group's statutory effective tax rate for the half year ended 31 December 2019 is 29% (2018: 0%).

Note 5: Earnings/(loss) per share

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

	31 Dec 2019 US $'000	31 Dec 2018 US $'000
(Loss)/profit attributable to ordinary equity holders of the parent:		
(Loss)/profit for the financial year	**(18,943)**	24,050
Exclude non-controlling interests	**4,063**	-
Net (loss)/ profit used in the calculation of basic and dilutive EPS	**(14,880)**	24,050

	31 Dec 2019 No.	31 Dec 2018 No.
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	**261,688,902**	261,120,874
Weighted average number of options and performance rights outstanding	**1,466,751**	1,590,007
Weighted average number of ordinary shares outstanding during the period used in the calculation of dilutive EPS	**263,155,653**	262,710,881

Note 6: Investment in joint ventures

The Group has a 72.68% interest in SDJ PTE. The country of incorporation is Singapore and the principal place of business is Singapore. SDJ PTE owns 91.5% of Sales de Jujuy S.A. (SDJ SA), the owner and operator of the Olaroz lithium project. The effective equity interest in the Olaroz Lithium Facility Joint Venture is Orocobre 66.5%, TLP 25% and JEMSE 8.5%. On 1 January 2019, Orocobre gained control of SDJ PTE, following the signing of new agreements with TLP a subsidiary of TTC. SDJ PTE is now consolidated by virtue of Orocobre's contractual rights which permit it to exercise control over certain policies and activities of SDJ PTE. SDJ PTE ceased being equity accounted for and became part of the consolidated Group as at 1 January 2019.

For the statement of profit and loss for SDJ PTE as at 31 December 2018, the last period in which it was equity accounted, refer to note 1, the comparative segment note for Olaroz or the 30 June 2019 annual report.

Notes to the financial statements

for the period ended 31 December 2019

Note 7: Net cash

	Interest Rate	Maturity	31 Dec 2019 US $'000	30 Jun 2019 US $'000
Current				
Loans & borrowings - project loan C)	LIBOR + 0.8%	2020	**23,028**	23,028
Loans & borrowings - working capital facility D)	5% - 55%	Jan -Mar 2020	**26,679**	40,000
Related party shareholder loans	A)	A)	**13,667**	13,667
Total current			**63,374**	76,695
Non-current				
Loans & borrowings - project loan C)	LIBOR + 0.8%	2021-2024	**73,602**	86,326
Related party shareholder loans	A)	A)	**39,940**	16,523
Total non-current			**113,542**	102,849
Total debt			**176,916**	179,544
Cash at bank and on hand			**(27,915)**	(52,772)
Short term deposits E)			**(167,110)**	(227,026)
Total cash and cash equivalents			**(195,025)**	(279,798)
Financial assets - non-current B)			**(17,171)**	(17,171)
Net cash			**(35,280)**	(117,425)
Equity			**717,006**	734,696
Capital and net cash			**681,726**	617,271
Gearing ratio			**-5%**	-19%

A) Loan repayable to related parties - TTC & associated entities
Current borrowings owing to related parties is US$13,666,667. US$11,416,667 is interest bearing at 10% per annum and is payable on demand. US$2,250,000 is interest bearing at LIBOR +5% and is payable on demand.

Non-current borrowings owing to related parties is US$39,940,200. US$33,000,000 is interest bearing at LIBOR + 5% per annum and will be repaid in full before March 2030. US$6,666,667 is interest bearing at LIBOR + 6% per annum and will be repaid in full before March 2030. US$273,200 is interest bearing at LIBOR + 0.75% per annum and will be repaid in full before July 2028.

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

C) The total project loan facility for stage 1 is US$191.9m. SDJ PTE has provided security in favour of Mizuho Bank over the shares its owns in SDJ SA. 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 cashflows and current market interest rates.

Note 7: Net cash continued (continued)

D) There are 3 working capital facilities of which 2 are denominated in ARS. Total value of the ARS facilities is ARS$ 1,298,150,000 (US$21,679,000) of which the average rate of borrowing is 54.5% per annum for a period of 62 days. The US$ facility is for US$5,000,000 has a borrowing rate of 5% per annum for a period of 90 days. As at 30 June 2019, the facility was US$ denominated with a rate of 4.75-5% maturing in 2020 of which was partly repaid in the period. The facilities continued to be rolled as required.

E) Short term deposits vary between 30 -180 days and can be readily converted to cash with notice to the relevant financial institution with no substantial penalty. An amount of US$11,060,000 is a cash holding for the Naraha debt facility.

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. The change in the gearing ratio in the current year reflects the consolidation of Sales de Jujuy Pte Ltd and therefore the increase in net assets.

Note 8: Equity and reserves

8a) Issued capital

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

	31 Dec 2019 No. shares	30 Jun 2019 No. shares	**31 Dec 2019 US $'000**	30 Jun 2019 US $'000
Balance at the beginning of year	**261,678,074**	260,710,716	**527,716**	527,364
Options and performance rights exercised [i)]	**132,818**	844,015	**-**	-
Shares issued, net of transactions costs	-	123,343	**-**	352
Balance at the end of year	**261,810,892**	261,678,074	**527,716**	527,716

i) Represents performance rights and options exercised under the Company's Performance Rights and Options Plan (PROP) and executive service agreements.

Note 8: Equity and reserves (continued)

8b) Reserves

	Share-based payments US $'000	Interest rate swap hedge US $'000	Foreign currency translation US $'000	Other US $'000	Total US $'000
Balance as at 1 July 2018	5,270	(2,017)	(110,010)	(166)	(106,923)
Translation gains on foreign operations	-	-	1,055	-	1,055
Fair value taken to equity	-	(214)	-	(432)	(646)
Other comprehensive income/(loss)	-	(214)	1,055	(432)	409
Share-based payments	866	-	-	-	866
Other movements	-	-	-	25	25
Balance as at 31 December 2018	6,136	(2,231)	(108,955)	(573)	(105,623)

	Share-based payments US $'000	**Interest rate swap 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 losses on foreign operations	**-**	**-**	**(106)**	**-**	**(106)**
Cashflow hedge through OCI	**-**	**258**	**-**	**-**	**258**
Share of associate OCI	**-**	**-**	**-**	**30**	**30**
Other comprehensive income/(loss)	**-**	**258**	**(106)**	**30**	**182**
Share-based payments	**917**	**-**	**-**	**-**	**917**
Transfer of retained earnings to legal & discretionary reserve i)	**-**	**-**	**-**	**13,356**	**13,356**
Realisation of OCI to retained earnings	**-**	**-**	**-**	**427**	**427**
Balance as at 31 December 2019	**7,269**	**(1,340)**	**(36,602)**	**13,379**	**(17,294)**

i) The transfer of retained earnings to the legal and discretionary reserve was completed in 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 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 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 31 December 2019 is US$18,837,000 including NCI and US$12,527,000 excluding NCI.

Note 9: Financial instruments

	Carrying Amount	
	31 Dec 2019	30 Jun 2019
	US $'000	US $'000
Financial assets		
Cash and cash equivalents	**195,025**	279,798
Financial assets - non-current	**17,171**	17,171
Financial assets at amortised cost:		
Trade and other receivables - current	**19,557**	22,510
Trade and other receivables - non-current	**14,665**	13,194
Total financial assets	**246,418**	332,673

	Carrying Amount	
	31 Dec 2019	30 Jun 2019
	US $'000	US $'000
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables - current	**32,976**	32,027
Trade and other payables - non-current	**2,942**	1,398
Loans and borrowings - current	**63,374**	76,695
Loans and borrowings - non-current	**113,542**	102,849
Lease liabilities - current	**2,758**	-
Lease liabilities - non-current	**25,855**	-
Financial liabilities at fair value:		
Derivatives - Interest Rate Swap - current	**1,986**	1,797
Derivatives - Interest Rate Swap - non-current	**4,729**	5,658
Total financial liabilities	**248,162**	220,424

Undiscounted contractual maturities of financial liabilities:

	Within 12 months	**1 to 5 years**	**Over 5 years**	**Total**
	US $'000	**US $'000**	**US $'000**	**US $'000**
Payables	**32,976**	**2,942**	**-**	**35,918**
Loans and borrowings	**54,406**	**95,289**	**56,654**	**206,349**
Lease liabilities	**3,091**	**22,345**	**24,341**	**49,777**
Derivatives - Interest Rate Swap	**2,002**	**4,919**	**-**	**6,921**
Total as at 31 December 2019	**92,475**	**125,495**	**80,995**	**298,965**
Payables	31,506	1,919	-	33,425
Loans and borrowings	87,943	83,926	34,759	206,628
Derivatives - Interest Rate Swap	1,815	5,799	120	7,734
Total as at 30 June 2019	121,264	91,644	34,879	247,787

Note 10: Investment in associates

	% equity interest held by the Group	
	31 Dec 2019	30 Jun 2019
Advantage Lithium Limited (AAL)	**34.70**	33.30
Toyotsu Lithium Corporation (TLC)	**75.00**	75.00

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

	Advantage		**TLC**		**Total**	
	31 Dec 2019 US $'000	30 Jun 2019 US $'000	**31 Dec 2019 US $'000**	30 Jun 2019 US $'000	**31 Dec 2019 US $'000**	30 Jun 2019 US $'000
Balance at the beginning of year	**21,972**	19,954	**6,807**	-	**28,779**	19,954
Acquisition during the year i)	**1,178**	3,883	-	6,722	**1,178**	10,605
Loss from equity accounted investment in associates	**(408)**	(1,389)	**(231)**	(155)	**(639)**	(1,544)
Fair value of asset through OCI	**30**	(456)	**-**	-	**30**	(456)
Foreign currency translation reserve through OCI	**(3)**	-	**(61)**	240	**(64)**	240
Impairment loss ii)	**(4,133)**	-	**-**	-	**(4,133)**	-
Transfer to exploration and evaluation	**-**	(20)	**-**	-	**-**	(20)
Balance at the end of year	**18,636**	21,972	**6,515**	6,807	**25,151**	28,779

i) During the half-year Orocobre supported AAL's private placement. In total, AAL issued 4,153,903 Common Shares at a price of C$0.41 per Common Share for gross proceeds of C$1,703,100. Orocobre's total investment in this capital raise was C$1,536,025 (US$1,178,000) for a net amount of 3,746,403 shares, and following completion of the placement Orocobre now holds 34.7% of AAL Common Shares.

ii) During the half-year, the Group impaired their investment in AAL, due to the significant and prolonged decline in market value of the investment.

Notes to the financial statements

for the period ended 31 December 2019

Note 11: New and revised accounting standards and interpretations

AASB 16 *Leases* (mandatory for financial year beginning 1 July 2019)

Nature of change & Impact

AASB 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC -15 Operating Leases – Incentives and SIC – 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model. The Group adopted the standard on 1 July 2019. The Group adopted AASB 16 using the modified retrospective approach whereby the impact is assessed at date of transition.

The adoption of AASB 16 resulted in all non-cancellable leases except for short term and low value items being recognised on the balance sheet. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals have been recognised at commencement date. The lease liabilities are recognised on initial adoption by present valuing the future lease payments at the incremental borrowing rate (IBR) and the right of use assets are recognised at initial adoption by including the lease liability plus and prepaid/accrued rent. The new standard replaces the Group's operating lease expense with an interest and depreciation expense. The IBR applied by the Group ranges from 5% - 58.10% depending on the location and nature of the asset.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as at 30 June 2019

	US $'000
Operating lease commitments disclosed as at 30 June 2019	**1,974**
Discounted using the lessee's incremental borrowing rate at the date initial application	**(418)**
(Less): Short-term leases recognised on a straight-line basis as a expense	**(172)**
(Less): Low-value leases recognised on a straight-line basis as a expense	**-**
Add/(less): adjustments as a result of different treatment of extension and termination options	**587**
Add/(less): adjustments relating to changes in the index rate and other items	**8**
Lease Liability recognised as at 1 July 2019	**1,979**
Of which are	
Current lease liabilities	**601**
Non-current lease liabilities	**1,378**
	1,979

The recognised right of use assets presented in property, plant and equipment relate to the following types of assets

	31 Dec 2019	1 Jul 2019
	US $'000	US $'000
Properties	**1,692**	1,878
Equipment	**9**	11
Motor vehicles	**37**	90
Consumable supply	**25,184**	-
	26,922	1,979

Note 11: New and revised accounting standards and interpretations (continued)

The change in the accounting policy affected the following items in the balance sheet on 1 July 2019:

Property, plant and equipment – Right of use asset – increase of US$1,979,000
Lease liabilities – increase of US$1,979,000
The net impact on retained earnings on 1 July 2019 was nil.

The overall impact on the loss for the period as a result of the change in accounting policy was an increase of US$1,017,000, with US$1,268,000 and US$888,000 recognised as an expense for depreciation and interest respectively. This was offset with operating leases costs not recognised of US$1,139,000.

The impact on the segment disclosures as a result of the adopting AASB 16 from 1 July 2019, segment EBITDAIX improved due to the change in policy which moved operating lease costs from EBITDIAX to below in depreciation and interest. The overall EBITDAIX improved by US$1,139,000 of which US$813,000 relates to the Olaroz segment.

The Group has elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, lease contracts for which the underlying asset is of low value and elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease. During the period the Group has entered into a new electricity contract for the supply of electricity at SDJ. This contract was assessed using AASB 16 and a right of use asset and liability was booked upon execution of US$26,641,000.

Accounting for the Group's leasing activities

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 11: New and revised accounting standards and interpretations (continued)

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in the profit or loss. Short term leases are leases with a lease term of 12 months or less.

Note 12: Subsequent events

Orocobre and Advantage announced on 19 February 2020 they have entered a Definitive Agreement (the Agreement) pursuant to which Orocobre will acquire 100% of the issued and outstanding shares of Advantage that it does not already own.

Under the terms of the Agreement, Advantage Shareholders will receive 0.142 shares of Orocobre per Advantage share. Based on the 18 February 2020 closing price of Orocobre shares on the ASX of A$3.29 per share this equates to a value of approximately C$0.42 per Advantage share.

The Arrangement will be implemented through a triangular amalgamation under the Business Corporations Act (British Columbia) in which a wholly-owned subsidiary of Orocobre will amalgamate with Advantage to become a wholly-owned subsidiary of Orocobre. Advantage shareholders will receive Orocobre shares based on the Exchange Ratio. The Agreement will be an Arm's Length Transaction pursuant to the policies of the Toronto Stock Exchange and the TSX Venture Exchange.

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 half-year ended 31 December 2019 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 31 December 2019 and of its performance for the half-year ended on that date; and

      ii. complying with Accounting Standards and the Corporations Regulations 2001;

2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Robert Hubbard
Chairman

Martín Pérez de Solay
Managing Director and CEO

Dated this: 21st day of February 2020

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Orocobre Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Ernst & Young

Andrew Carrick
Partner
Brisbane
21 February 2020

SCHEDULE OF TENEMENTS

Project Area	Tenement Number	Area (Hectares)	Orocobre Interest	Location of Tenements
OLAROZ				
	1842-S-12	2988.19	66.5%	Argentina
	131-I-1986	99,92		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	299.94		Argentina
	125-S-44	100		Argentina
	319-T-2005	1473.97		Argentina
	147-L-2003	1933.80		Argentina
	943-R-2008	563.79		Argentina
	1136-R-2009	1198.48		Argentina
	1137-R-2009	1199.34		Argentina
	944-R-2008	432.05		Argentina
	1134-R-2009	895.61		Argentina
	1135-R-2009	1098.86		Argentina
	963-R-2008	1194.84		Argentina
	964-R-2008	805.06		Argentina
	056-L-1991	300		Argentina
	1274-O-2009	5972		Argentina
	945-R-2008	1493.93		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

Project Area	Tenement Number	Area (Hectares)	Orocobre Interest	Location of Tenements
	2544-S-2019	1521		Argentina
	2540-S-2019	342.47		Argentina
	498-B-2006	10.000		Argentina
CAUCHARI				
	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 SAS SA is owned as to 75% by Advantage and as to 25% by La Frontera S.A. Orocobre holds 85% of La Frontera S.A.	Argentina
	2054-R-2014	445.74		Argentina
	2059-R-2014	912.71		Argentina
	2058-R-2014	1765.95		Argentina
	2053-R-2014	1997.09		Argentina
	1155-P-2009	1500		Argentina
	968-R-2008	1028.73		Argentina
	1081-P-2008	1245.22		Argentina
	1119-P-2009	2491,84		Argentina
	1082-P-2008	1468.30		Argentina
	1101-P-2008	2483.91		Argentina
	966-R-2008	117.96		Argentina
	965-R-2008	1344.98		Argentina
	951-R-2008	797,12		Argentina
	1083-P-2008	1445.57		Argentina
	1118-P-2009	2395.70		Argentina
	1130-P-2009	1261,75		Argentina
	952-R-2008	487.59		Argentina
	1084 -P -2008	1526.79		Argentina
	1156-P-2009	66,17		Argentina
	1086- P -2008	1716.63		Argentina
	1085 -P -2008	773		Argentina
SALINAS GRANDES				
	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

Project Area	Tenement Number	Area (Hectares)	Orocobre Interest	Location of Tenements
	13699	100	LSC Lithium Inc owns the Salina Grandes Project properties. La Frontera Minerals S.A. (Orocobre 85%) holds a 2% Mine Mouth Royalty over production from Salinas Grandes.	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		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
	50	100		Argentina
	1105	100		Argentina
	65	100		Argentina
	70	100		Argentina

Project Area	Tenement Number	Area (Hectares)	Orocobre Interest	Location of Tenements
	206	100		Argentina
	86	300		Argentina
	17744	500		Argentina
	18533	97.03		Argentina
	17580	100		Argentina
SALAR DEL HOMBRE MUERTO – TINCALAYU				
	1271	300	100% Borax Argentina S.A. Posco Argentina 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
SALAR SANTA ROSA DE LOS PASTOS GRANDES – SIJES				
	8587	799	100% Borax Argentina S.A.	Argentina
	11800	488		Argentina
	11801	400		Argentina
	11802	3399		Argentina
	14121	10		Argentina
	5786	200		Argentina
SALAR DE CAUCHARI				
	394 B	300	100% Borax Argentina S.A. Exar S.A. holds an usufruct to extract brines from all tenements of Cauchari	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

Project Area	Tenement Number	Area (Hectares)	Orocobre Interest	Location of Tenements
	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
SALAR DE DIABLILLOS				
	1175	100	100% Potasio y Litio de Argentina S.A. (PLASA) is the holder of all Diablillos tenure. Borax holds an usufruct for the extraction of borates from the Diablillos tenements. Orocobre Lithium S.A. (Orocobre 100%) holds a 1% net revenue royalty overall production by PLASA from the tenements.	Argentina
	1176	100		Argentina
	1164	100		Argentina
	1172	100		Argentina
	1165	100		Argentina
	1166	100		Argentina
	1179	100		Argentina
	1180	200		Argentina
	1182	100		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

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