OROCOBRE LIMITED

ABN 31 112 589 910

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2011

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement outlines the key principles and practices of the Orocobre Limited ("Orocobre" or the "Company"), which represents it's system of governance. The Company's Board is committed to implementing best practice corporate governance procedures and has adopted *ASX's Corporate Governance Principles and Recommendations* as released by the ASX Corporate Governance Council (the "Principles") as the basis for its corporate governance policies.

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

A summary of compliance with the Principles are provided below.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Lay Solid foundations for management and oversight

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

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

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

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

To assist the Board in fulfilling its duties and responsibilities, the following Committees were established:

(a) Audit Committee, which is responsible for monitoring and advising the Board on the Orocobre internal and external audit, risk management and regulatory compliance policies and procedures;

(b) Remuneration Committee, which is responsible for overseeing the remuneration practices of Orocobre, advising the Board on the composition of the Board, its Committees and Senior Executives and reviewing the performance of Senior Executives.

The Board is collectively responsible for:

- financial strategic objectives;
- oversight of control and accountability systems;
- the appointment, appraising, removal and remuneration of the Managing Director, Chief Financial Officer and Company Secretary;
- input into and final approval of corporate strategy;
- evaluating and approving the annual operating budget and business plans and holding management accountable for delivery of same;

- evaluating and approving and monitoring the progress of major capital and operating expenditure, capital management and all major corporate transactions;
- monitoring compliance with all legal and regulatory and ethical obligations;
- reviewing any risk management system (which may be a series of systems established on a per-project basis) and internal compliance and controls;
- with the assistance of the Remuneration Committee, approving remuneration policies and employment terms for Non-Executive Directors, Executives and employees;
- establishing criteria for and monitoring performance of Senior Executives;
- approving and monitoring financial and other reporting to the market, shareholders, employees and other stakeholders;
- determining Orocobre's dividend policy, the operation of dividend re-investment plan (if any) and the amount and timings of all dividends; and
- appointing the Chairman of Orocobre, who must be an independent director.

The Board will convene regular meetings as frequently as may otherwise be required to deal with urgent matters which might arise between scheduled meetings.

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

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

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

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

The Board reviews the Managing Director's performance and the Managing Director reviews other executives' performance. The results of the Managing Director's performance reviews of senior executives are reported to the Board for information. The performance of senior executives is reviewed on a formal basis annually. The Board's review of the Managing Director's performance and the Managing Director's review of senior executive's performance was undertaken during the year.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Structure the board to add value

To add value to the Company, the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The Board of Orocobre currently comprises of seven Directors, of which Mr Richard Seville is the Managing Director and Chief Executive Officer. The remaining six directors are Non-executive Directors: Mr James Callaway, who is the Non-executive Chairman of the Board; Messrs Courtney Pratt, John Gibson, Fernando Oris de Roa and Federico Nicholson who are independent Non-executive Directors; and Mr Neil Stuart who is a Non-executive Director after previously acting in the capacity of Executive Director. Further details of the Directors such as their qualifications and experience along with their terms of office are set out in the Directors' Report.

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

2.1 A majority of the board should be independent directors.

Orocobre had a majority of independent directors throughout the majority of the year (from September 2010). As at the date of this Annual Report, the Board consists of a majority of independent directors. The Board comprises one Executive Director and six Non-executive Directors.

There are four Non-executive Directors that are independent. The Chairman of the Board, Mr James Callaway, is not independent as he is associated with a substantial shareholder in the Company. The four Non-executive Directors that are independent are: Mr Courtney Pratt, Mr John Gibson, Mr Oris de Roa and Mr Federico Nicholson, meet the criteria for independence proposed by the Principles.

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

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

2.2 The chair should be an independent director.

Orocobre is not compliant with this Recommendation. The Board considers Mr Callaway to be the most suitable person to be appointed Chairman at this stage of the Company's development.

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

Orocobre is compliant with this Recommendation. The Chairman does not perform executive functions and is not considered the chief executive officer, although the Chairman does provide some consulting services to the Company.

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

2.4 The board should establish a nomination committee.

This recommendation is not applicable to Orocobre because currently the function of the nomination committee is undertaken by the full Board. The size and nature of the Company's activities do not justify the establishment a separate committee at this time. The Board regularly reviews the composition, skill base and effectiveness of the Directors of the Board.

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

The Company did not undertake a formal performance review process of the Board and its individual directors throughout the financial year as the Company intends to perform this review subsequent to 30 June 2011.

Induction and Education

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

- details of the role and responsibilities of a Director;

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

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

Access to information and Independent Professional Advice

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

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

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

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

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

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

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

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

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

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

3.2 Company security trading policy

The Company has a Securities Trading Policy, which is appropriate for a company whose shares are admitted to trading on the ASX. According to this policy, all Directors, senior executives, employees, contractors and consultants, whilst in possession of material, non-public, market price sensitive information, are subject to three restrictions:

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

Directors, senior executives, employees, contractors and consultants are required to advise the Chairman and company secretary of their intentions prior to undertaking any transaction in the Company securities. If a Director, senior executive, employee, contractor or consultant is considered to possess material, non-public, market price sensitive information, they will be precluded from making a security transaction until after the time of public release of that information.

The Securities Trading Policy is available on the Company's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 The board should establish an audit committee.

The Board has established an Audit Committee to assist the Board. Details of the Members of the Audit Committee and their attendance at Committee Meetings are set out in Directors' Report.

4. 2 The structure of the audit committee.

The Audit Committee consists of three Non-executive Directors. There is a majority of independent directors on the Audit Committee and the Chairman is Mr John Gibson who is an independent Non-Executive Director. The other members of the Audit Committee are Mr Pratt and Mr Oris de Roa.

4.3 The audit committee has a formal charter.

The responsibilities of the Audit Committee are set out in a formal charter approved by the Board. The Audit Committee Charter is available on the Company's website under "Corporate Governance".

4.4 Reporting on Principle 4

External auditor

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

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

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Policy for compliance with continuous disclosure

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

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

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

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

5.2 Reporting on Principle 5

A summary of the Continuous Disclosure Policy is available on the Company's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

6.1 Communications policy

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

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

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

6.2 Reporting on Principle 6

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

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1 Policies on risk oversight and management

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

The objective of this Risk Management Framework is to:

- ensure the identification of material business risks across each of the key risk areas;
- encourage appropriate tolerance of risks across the Company;
- establish procedures to analyse risks within agreed parameters across the Company;
- establish procedures to monitor and manage material business risk; and
- ensure a risk framework is in place which can react should the risk profile of the business change.

Key components of the Risk Management Framework are:

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

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

The Company's Risk Management Policy is available on the Company's website.

7.2 Report on risk management and internal control system

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

Presently, the full Board carries out the functions of a risk management committee as the Board's view is that a separate committee to manage the risk management functions is not warranted by the Company at this time.

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

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

The Managing Director, who undertakes the role of CEO, and the Chief Financial Officer, have given written confirmation to the board that:

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

7.4 Reporting on Principle 7

A summary of the Company's Risk Management Policy, internal compliance and control system is available on the Company's website.

PRINCIPLE 8: Remunerate fairly and responsibly

8.1 Establishment of a remuneration committee.

The Board has established a Remuneration Committee that assumes responsibilities in relation to remuneration matters such as remuneration, recruitment, retention and termination policies and procedures, senior executives' remuneration and incentives, superannuation arrangement and the setting of the remuneration framework for Directors.

The Chairman of the Committee is Mr Courtney Pratt and the other members of the Committee are Mr James Calaway and Mr Fernando Oris de Roa. Details of the members of the Remuneration Committee and their attendance at Committee Meetings are set out in the Directors' Report.

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

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

The Remuneration Committee Charter is available on the Orocobre website under Corporate Governance.

8.2 Structure of Non-executive and Executive Director Remuneration

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

Board policy is to remunerate Non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. Non-executive Directors' are remunerated by way of fees, in the form of cash, non-cash benefits, or superannuation contributions. The maximum aggregate amount of fees that can be paid to Non-executive Directors is subject to approval by shareholders at the Annual General Meeting and are not linked to the performance of the Company. At present, this maximum aggregate amount is $400,000. No other form of retirement benefit is paid.

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

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

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

8.3 Reporting on Principle 8

Details of the members of the Remuneration Committee and their attendance at Committee Meetings are set out in the Directors’ Report. Details of the Company’s remuneration policy are outlined in the Remuneration Report section of the Directors’ Report, along with the names of the Directors, their qualifications and experience and the term of office held by each Director.

DIRECTORS' REPORT

Your Directors present their report of the Company for the financial ending 30 June, 2011.

Directors

The Directors of the Company at any time during or since the end of the financial year are listed below. During the year there were 17 meetings. The meetings attended by each Director were:

DIRECTORS	Board		Audit Committee		Remuneration Committee	
	Meetings	Attend	Meetings	Attend	Meetings	Attend
J Calaway	17	17	-	-	2	2
Richard Seville	17	17	-	-	-	-
Neil Stuart	17	16	-	-	-	-
John Gibson	17	16	6	6	-	-
Courtney Pratt	17	17	6	6	2	2
Fernando Oris de Roa	17	17	6	6	2	2
Federico Nicolson (appointed 15/9/2010)	12	7	-	-	-	-

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

Company Secretary

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

Principal Activities

The principal activity of the Group during the year was mineral exploration in Argentina. During the year, activity focused on completion of a bankable feasibility study on the Salar de Olaroz project, formulation and assessment of funding options and implementation of the Group's corporate development strategy. There were no significant changes in the nature of the Group's activities during the financial year.

Review of Operations & Operating Result

The group's operating loss for the year, after applicable income tax and non-controlling interests was \$1,789,856 (2010: \$4,163,600). Group exploration and evaluation expenditure for the year totalled \$16,208,604 (2010: \$12,776,410).

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

Details on these projects are available in the NI 43-101 compliant Technical Reports available under the Company's profile on www.sedar.com and on the company's website.

Project Activites

Olaroz Project

The Olaroz Project, located in the Puna region of Jujuy Province of northern Argentina approximately 230 kilometres northwest of the capital city of Jujuy at an altitude of 3900 metres above sea level, is the Company's flagship project. The Company holds rights to properties (or to applications for properties) at the Olaroz Project covering approximately 63,000 hectares, of which approximately 21,000 hectares is prospective salt crust and salar margins. The Company has a strategic partner on the Olaoroz Project with Toyota Tsusho Corporation which has provided US$4.5m of funding towards the undertaking of the Feasibility Study.

During the year, the Company advanced the project considerably undertaking resource definition drilling, producing an upgraded and increase resource estimate and complete a definitive Feasibility Study. In addition, the company completed process development work to the stage of producing battery grade lithium carbonate from its pilot plant at Olaroz.

Updated Resource Estimate

On March 31, 2011, the Company announced that John Houston, independent hydrogeologist, had estimated a measured and indicated resource of 1,752 million cubic metres of brine at 690 mg/L Lithium, 5,730 mg/L Potassium and 1,050 mg/L Boron at the Olaroz Project which is equivalent to 6.4 million tonnes of lithium carbonate and 19.3 million tonnes of potash (potassium chloride) based on 5.32 tonnes of lithium carbonate being equivalent to 1 tonne of lithium and 1.91 tonnes of potash being equivalent to one tonne of potassium.

Details are given in the table below.

					Concentration			Tonnes of Contained Metal		
Resource Category	**Area**	**Thickness**	**Mean specific yield**	**Brine volume**	**Lithium**	**Potassium**	**Boron**	**Lithium**	**Potassium**	**Boron**
	sq. kms	metres	%	cubic kms	mg/L	mg/L	mg/L	Million Tonnes	Million Tonnes	Million Tonnes
Measured Resource	93	54	8.4%	0.42	632	4930	927	0.27	2.08	0.39
Indicated Resource	93	143	10.0%	1.33	708	6030	1100	0.94	8.02	1.46
Measured &Indicated Resource	**93**	**197**	**9.6%**	**1.75**	**690**	**5730**	**1050**	**1.21**	**10.10**	**1.85**

The estimate extends to an average depth of 197 m and uses the Company's property boundaries or a 1.1 gm/cc density cut-off at the surface to establish peripheral resource boundaries. No internal cut-off boundaries have been used because it is inappropriate to use them in a fluid resource where extraction will cause mixing.

The weighted average modelled specific yield is 9.6%.

The drilling program also confirmed attractive brine chemistry with an average magnesium to lithium ratio of 2.4, reduced from the 2.8 previously reported a sulphate to lithium ratio of 25.

Olaroz Feasibility Study

Third party consulting expertise was engaged to complete key aspects of the Olaroz Feasibility Study. Engineering design and cost estimates were undertaken by Sinclair Knight Merz. The resource estimate and process design engineering was undertaken by consulting hydrogeologist John Houston and consulting process engineer Peter Ehren respectively.

The results of the Olaroz Feasibility Study were released on May 3, 2011. Highlights of the study are as follows:

- Highlights strong project fundamentals for the Olaroz project.
- Very large resource base to support long project life.
- Low operating costs for battery grade lithium carbonate, low end of global cost curve.
- High quality and conservatively derived results provide strong technical and commercial basis for project.
- Pricing outlook for lithium and potash remains strong.

With the development of the Olaroz Feasibility Study, the Company has focused on delivering high quality results that are both technically and economically sound, and the Company expects the study to set a high standard for the industry.

The results of the Olaroz Feasibility Study indicate that the Olaroz Project has very strong project fundamentals with a large resource base of 6.4 million tonnes of lithium carbonate equivalent that is expected to underpin a long project life. The feasibility study provides a conservative initial production rate of 16,400 tonnes per annum of battery grade lithium carbonate production with an option to produce 10,000 tonnes of potash per annum two years after the start of lithium carbonate production. The capital cost estimated for the lithium carbonate only plant was US$207m with an additional US$15m for the potash option.

Olaroz Feasibility Study highlights the Olaroz Project's very low operating cash cost of US$1,512 per tonne for battery grade lithium carbonate without a potash credit. This cost estimate is competitive with existing brine producers and materially less than those reported by hard rock lithium minerals projects.

Further technical information relating to the updated resource estimate is provided in the 2011 Annual Information Form and in the report entitled "Technical Report – Salar de Olaroz Lithium-Potash Project, Jujuy Province, Argentina" dated May 13, 2011 (the "**Olaroz Technical Report**"), which was prepared by John Houston, Hydrogeological Consultant and Mike Gunn, Lithium Consultant, and is available at www.sedar.com.

Process Development

In the quarter ended September 30, 2010, the first lithium carbonate product was produced at the Company's process development test work facilities at the Salar de Olaroz. The process used is a modification of the "Silver Peak" method used at Clayton valley, Nevada since the late 1960's.

Work since then has focussed on optimising the process route to improve the purity of the product so that it can meet the high specifications required for the battery industry and at the end of the quarter ended March 31, 2011, the Company announced that it had achieved this objective and produced battery grade lithium carbonate from Salar de Olaroz brines.

Orocobre's analysis showed that the lithium carbonate is of greater than 99.9% purity* and of higher purity than the specifications for battery grade material sold by existing producers. This material was produced by refining a lower purity product previously produced at the company's facilities at Olaroz with recirculated brines. As such, the Company considers the material to be representative of what could be expected in commercial production.

This was a major milestone for both the project and for the Olaroz Feasibility Study for which it was considered important to demonstrate the capacity to produce "battery grade" lithium carbonate from the Company's process development facilities.

**In order to be consistent with the reporting of lithium carbonate purity by other exploration companies, the figures presented here to not include loss of ignition (LOI) or moisture content. In the lithium carbonate produced by Orocobre, these specifications were also above the specifications of battery grade material being sold by producers.*

Olaroz Approval Process

In March 2011, the Jujuy government declared lithium a strategic mineral resource and introduced a secondary approvals process for lithium related projects. As a result, projects now require Environmental Impact Statement ("**EIS**") approval, positive assessments by a Committee of Experts, and joint approval by the province's Minister of Production and the Secretary General. This new regulatory process affects the Olaroz Project and Cauchari Project, but does not affect the Salinas Grandes Project in Salta Province.

The Company has continued to be very actively engaged in the Jujuy provincial government's approvals process that was introduced in March 2011 for projects at exploration or exploitation stages. Orocobre has provided extensive information to the Committee of Experts which was formed to consider the projects and made a number of formal presentations to the Committee.

In addition, the Company has made important progress in Jujuy by building upon a number of pre-established relationships with the local communities, governments and other regulatory bodies.

Orocobre continues to receive strong local support for the Olaroz Project. As previously advised, representatives of the relevant local communities have provided written support of the Olaroz Project to the provincial Minister of Production expressing the strong desire that the project receive all requisite approvals to allow commercial production to commence. Orocobre believes that the approvals process continues to advance favourably and is confident that final approval will be granted within a workable timeframe.

In addition, as previously advised, the Unit of Mining Environmental Management (UGAMP) has approved the addenda to the EIS for the Olaroz Project. The addenda updated the previously approved EIS with the results of the Company's recently completed Olaroz Feasibility Study. The addenda also addressed the development of a gas pipeline to support the operation's energy needs. UGAMP is the committee comprising twelve members from various governmental departments, stakeholder groups, and local communities that reviews EISs for mining projects prior to approval by the Provincial Director on Mines and Energy Resources. It is believed a favourable recommendation from UGAMP bodes well for the recommendation expected soon from the Committee of Experts. Further information on the approvals process is available in the Company's announcements of 27 May, 20 June, and August 31 2011.

Toyota Tsusho

Since completion of the Olaroz Feasibility Study, the Company has been actively engaged in finalising arrangements with its strategic partner, Toyota Tsusho Corporation ("**Toyota Tsusho**"), Japanese state-owned Japan Oil, Gas and Metals National Corporation ("**JOGMEC**") and a major Japanese bank.

Toyota Tsusho is arranging debt finance for a minimum 60% of the capital funding requirements for the Olaroz project through a low-cost debt facility to be guaranteed through JOGMEC. The complete documentation of the Olaroz Feasibility Study was provided to Toyota Tsusho on June 9, 2011.

Since then, due diligence on the Olaroz Feasibility Study and the project has been undertaken by Toyota Tsusho's technical, legal and accounting consultants and also by JOGMEC. The selection of the lender is well advanced and it is expected that the appointee will be mandated shortly. No material issues have arisen in due diligence.

Toyota Tsusho and Orocobre have also been advancing towards finalising the commercial terms of their arrangements including the entry consideration for the 25% equity participation of Toyota Tsusho, joint venture agreement and off-take arrangements. Orocobre has approved Toyota Tsusho's request for an extension of the 90-day timeframe specified in the Company's existing agreement with Toyota Tsusho entered into in January 2010 (the "Toyota Tsusho Agreement") to allow these arrangements to be completed, and the terms for this extension are currently being finalised.

The Company anticipates finalising the terms of its arrangements with Toyota Tsusho early in the fourth quarter of calendar year. 2011, with Japanese bank and JOGMEC financing to be completed early in the first quarter of calendar year 2012 subject to completion of the approvals process in Jujuy Province.

South American Salars Joint Venture

The South American Salars SA now holds approximately 300,000 hectares of properties in 14 areas. These include Salar de Cangrejillo/Salines Grandes, Guayatoyoc and Salar de Cauchari. The principal focus of the activities during the fiscal year ended June 30, 2011 has been building on the pre-existing land holding and undertaking an initial drilling programme at Salinas Grandes, ongoing geochemical assessment of the properties and a detailed review of Company generated and public domain data on the Salar de Cauchari project.

Salinas Grandes Project

South American Salars now holds rights to properties (or to applications for properties) covering over 120,000 hectares in and around Salinas Grandes and Guayatoyoc.

On July 18, 2011 the Company announced encouraging results of the initial drilling program at the Salinas Grandes Project. The drilling program consisted of 12 triple-tube diamond core holes with an average spacing of 3.3 km in the east of the salar, where most drilling was done. Holes were drilled vertically to between 60 and 75 m depth, with one hole (HCJ007D) drilled to 71 m with a diamond core and to 180 m total depth with a tricone. Down hole geophysical logging was conducted on six of the holes, including HCJ007D.

The drilling program analytical results show the presence of two brine bodies with good grades and significant exploration potential. The first is a continuous shallow brine body from surface to approximately 20m. It occurs over an extensive area of approximately 170 square kilometres of which approximately 110 square kilometres are located within Orocobre's properties.

Drilling results in the shallow brine body give average* values of 741mg/l lithium and 10,000mg/l potassium which represents a significant exploration target. Drilling shows that brackish water underlies this shallow brine body through much of the salar. A deeper brine body, extending to 50-80m depth, occurs over approximately 17 square kilometres in the centre of the salar, of which 13 square kilometres are in the Company's properties with the aforementioned brackish water surrounding the brine body.

Samples in both brine bodies exhibit attractively low Mg/Li ratios, averaging 2.8 for all samples where lithium values are above detection. Sulphate levels are very low, ranging from 98 mg/l on the margins of the salar to a maximum of 5030 mg/l in the centre of the salar, with an average of 1480 mg/l. Management believes that these chemical characteristics are well suited for conventional processing techniques that provide high recovery rates at low operating costs. The low sulphate levels indicate that there is high potash recovery potential from this resource, estimated at eight tonnes of potash per tonne of lithium carbonate production.

The close proximity of Salinas Grandes to the Company's Olaroz Project provides potential operational synergies. One potential synergy is the processing of concentrated Salinas Grandes lithium brine at an expanded Olaroz lithium carbonate plant following potash recovery at Salinas Grandes.

The Company's current focus is to complete an analysis of the resource estimate and to validate the brine extractability. Porosity determinations pending from the British Geological Survey laboratories and a shallow auger drilling program are key next steps in the resource estimate process. As well, pump testing has commenced to assess extractability of the near surface brine.

Cauchari Project

South American Salars holds rights to properties (or to applications for properties) at the Cauchari Project covering just over 30,000 hectares. The Cauchari project is located directly south of the Olaroz Project with the south end of Olaroz being approximately 10 km north of the north end of Cauchari. Although the Company does not currently anticipate developing a separate operation at the Cauchari Project, the Company will determine the value of producing brines from its Cauchari Project and, assuming a development takes place at Olaroz, utilizing those brines at its Olaroz facilities.

In November 2010 the Company commissioned an independent geological and hydro-geological consultant to review all the Company's information from Salar de Cauchari and the public domain information by another company which has undertaken drilling and other studies in the area. The report highlighted the exploration potential of the Company's properties in the north-east part of the salar where the Company has a large land holding immediately abutting the largest and highest grade part of the resource held by the other company.

The Company considers that the Cauchari brine could be an incremental brine source for the Company's plant at the Olaroz Project which is expected to be located approximately 10 km to the north. The Company has lodged an EIS for the exploration at Cauchari and plans to commence drilling in the last quarter 2011.

Corporate Developments in the Fiscal Year ended June 30, 2011

During the fiscal year ended June 30, 2011 the Company completed offerings in both Australia and Canada. In Australia, the offering was made to Australian institutional and sophisticated investors which subscribed for approximately 4,673,000 ordinary shares at a purchase price of A$3.21 per share, for aggregate gross proceeds of approximately A$15 million. The Australian placement was lead managed by Patersons Securities Limited. In Canada, the Company entered into "Bought Deal" financing at the same time as the Australian placement. 6,959,000 ordinary shares (which included the exercise of the over-allotment option in respect of 709,000 ordinary shares), were issued at a price of C$3.20 per share for aggregate gross proceeds of approximately C$22 million. Cormark Securities Inc. and Dundee Securities Limited were the co-lead underwriters in a syndicate that included Canaccord Genuity Corp., CIBC World Markets Inc. and Byron Capital Markets Ltd. The Canadian shares were offered by way of a short form prospectus filed in all of the provinces of Canada (other than the province of Quebec) pursuant to National Instrument 44-101 Short Form Prospectus Distributions and in the United States on a private placement basis pursuant to an exemption from the registration requirements of the United States *Securities Act of 1933*, as amended.

Financial Position

The net assets of the Orocobre group increased to $62,811,499 (2010: $34,251,637) during the year to 30 June 2011, including cash balances of $37,678,205 (2010: $24,482,793). This increase in cash balance has resulted largely from the proceeds from share issues, including a placement to Canadian subscribers under a Prospectus and a placement to investors in Australia. The value of exploration and evaluation assets carried on the balance sheet at 30 June 2011 is $27,249,892 (2010: $15,376,489).

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

Information on Directors

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

James D. Calaway **BA – Economic, MA – Politics, Philosophy & Economics**
Executive Chairman

Mr Calaway was appointed a director in May 2009. Mr Calaway is a respected business and civic leader in Houston, Texas. He has considerable experience and success in building young companies into successful commercial enterprises. Mr. Calaway and his family have played major roles in the development of both public and private companies in the United States, including companies engaged in oil and gas exploration and production, and commercial wind-farm development. Mr. Calaway currently serves as Chairman of the Board of DataCert Inc, the global leader in legal operations management and serves as a Director on several other U.S. corporate boards. Mr. Calaway is a graduate of the University of Texas and University of Oxford. He is a member of the Remuneration Committee.

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

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

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

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

Neil F. Stuart **MSc., FAus.IMM, MMICA, MAIG**
Non-Executive Director

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

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

John W. Gibson **Bachelor of Geology, Masters Degree in Geology**
Non-executive Director

Mr Gibson was appointed a director in March, 2010. Mr Gibson, is a recognised leader in the energy technology and services industry with more than 25 years of global energy experience. Mr. Gibson currently serves as the President and Chief Executive Officer of CCS Corporation, a major Canadian environmental and oil field services company. He is also currently serving on the Board of Directors of Parker Drilling, a New York Stock Exchange-listed company.

Prior to that, he spent 10 years serving in a progression of positions at Halliburton Company, one of the world's largest providers of products and services to the energy industry. From December 2002 to December 2004, he served as President of Halliburton Energy Services; President and CEO of Landmark Graphics; Chief Operating Officer and Executive Vice President of Landmark's Integrated Products Group; and President and Vice President of Landmark's Zycor Division.

He holds a Bachelor of Geology Degree from Auburn University and a Master's Degree in Geology from the University of Houston. Mr Gibson serves as a Trustee for the Houston Baptist University, on the Energy Advisory Board of the University of Houston, the Advisory Council of the Institute for Global Ethics, and as a director of Kickstart Kids. He is a member of the Audit Committee.

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

Courtney Pratt
Non-Executive Director

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

Mr Pratt currently serves as Chairman and Chief Executive Officer of the Toronto Region Research Alliance, whose mandate is to help mobilize the Toronto region to compete more effectively in the international research and development marketplace. He is also Chairman of Knightsbridge Human Capital and a director of Moosehead Breweries Limited, 407 International Inc. and the Ontario Advisory Council or Telus Corporation. He is a member of the Remuneration and Audit Committees.

Mr Pratt was awarded the Order of Canada in January 1999.

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

Fernando Oris de Roa **Masters of Public Administration**
Non-Executive Director

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

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

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

Federico Nicolson **Bachelor of Law**
Non-Executive Director

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

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

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

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

Directors	Shares	Options
JD Calaway	8,200,000	-
RP Seville	4,821,500	-
NF Stuart	5,622,996	-
JW Gibson	25,000	-
C Pratt	-	-
F Oris de Roa	-	-
F Nicolson	-	-

Remuneration Report (audited)

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

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

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

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

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

Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. Individuals may elect to salary sacrifice part of their fees as increased payments towards superannuation. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting and is not linked to the performance of the Company. However, to align directors' interests with shareholder interests, directors are encouraged to hold equity interests in the Company. The maximum aggregate amount of fees that can be paid to non-executive directors approved by shareholders is currently $400,000. One-third, by number, of non-executive directors retire by rotation at the Company's annual general meeting.

The Company currently has short term and long term performance based incentive components built into director and executive employment agreements. The Company's remuneration policy has previously provided for long-term incentives to be offered through an employee share option plan. No options have been granted under this plan to key management personnel during the current year or up to the date of this report. No key management personnel are entitled to receive securities which are not incentive based as part of their remuneration.

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

The Board has established a Remuneration Committee to take primary responsibility for determining and reviewing the Company's remuneration policy, remuneration levels and performance of both executive and non-executive directors. Independent external advice will be sought when required. The remuneration of each director and key officer of the Company during the year was as follows:

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

2010	Short term benefits				
Key Management Personnel	Fees/ Salary ($)	Non-Cash Benefits	Equity Settled Options ($)	Post Employment Super-Annuation ($)	Total ($)
James D Calaway (i)	63,661	-	-	-	63,661
Neil F Stuart (i)	83,182	-	58,477	-	141,659
Richard P Seville (ii)	437,542	-	58,477	13,500	509,519
John W Gibson	20,154	-	-	-	20,154
Courtney Pratt	11,153	-	-	-	11,153
Fernando Oris de Roa	-	-	-	-	-
Federico Nicolson	-	-	-	-	-
Dennis O'Neill	9,552	-	29,238	900	39,690
Jack Tan	31,250	-	29,238	2,812	63,300
Paul A Crawford (i)	1,817	-	29,238	-	31,055
	658,311	-	204,668	17,212	880,191

(i) In addition to the individual remuneration amounts shown in the above table, entities associated with Messrs Calaway, Stuart and Crawford rendered professional services to the Company.

(ii) Included salary for Mr Seville is a $157,500 (2010:$125,000) bonus payment for achievement of operational and financial performance targets.

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

Key Management Personnel	Position held & change during period	Contract Details	Proportion of Remuneration: Related to performance		Proportion of Remuneration: Not related to performance	Total
			Cash/ Options (i)		Salary & Fees	
JD Calaway	Executive Chairman Remuneration Committee	No fixed term, termination as provided by Corporations Act	-	-	100%	100%
RP Seville	Managing Director	No fixed term, 3 months notice to terminate, 12 mth severance pay	29.9%	-	70.1%	100%
NF Stuart	Non-executive Director	No fixed term, termination as provided by Corporations Act	-	-	100%	100%
JW Gibson	Non-executive Director Chairman Audit Committee	No fixed term, termination as provided by Corporations Act	-	-	100%	100%
C Pratt	Non-exec. Director Audit C'tee Remuneration Committee Chair	No fixed term, termination as provided by Corporations Act	-	-	100%	100%
F Oris de Roa	Non-exec. Director Audit C'tee Remuneration Committee	No fixed term, termination as provided by Corporations Act	-	-	100%	100%
F Nicolson	Non-executive Director (appointed 15/09/10)	No fixed term, termination as provided by Corporations Act	-	-	100%	100%
PA Crawford	Company Secretary	No fixed term, termination by notice	-	-	100%	100%

(i) Being cash bonuses paid, no equity based remuneration applied to the current year.

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

Options granted as remuneration (audited)

No options were granted as remuneration in the current year. All remuneration options granted in prior years have been exercised. Details of options exercised in the prior year are detailed in note 19 in the financial statements.

Employment Contract of Key Management Personnel (audited)

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

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

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

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

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

Company performance, shareholder wealth and director and executive remuneration (audited)

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

	2008	2009	2010	2011
Exploration & evaluation expenditure ($)	689,248	3,282,514	12,776,410	16,208,604
Net assets ($)	6,143,951	10,249,103	34,251,637	62,811,499
Share Price at Year-end ($)	0.48	0.59	1.70	2.06
Dividends Paid ($)	Nil	Nil	Nil	Nil

Dividends

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

Significant Changes in State of Affairs

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

a. In February 2011, the Company undertook a placement to Australian institutional and sophisticated investors, issuing 4,672,898 shares at an issue price of A$3.21 per share, for aggregate gross proceeds of approximately A$15 million.
b. In February 2011, the Company completed a capital raising in Canada, pursuant to a prospectus, resulting in the issue of 6,959,000 shares at an issue price of C$3.20 per share, raising approximately $22.3 million gross proceeds.
c. During the year, 325,000 options were converted to shares, raising $121,875, and 75,000 options lapsed.
d. During the year, the Company issued 70,570 shares between $2.01 and $2.16 as settlement for option payments arising from acquisition agreements over exploration tenements within the Olaroz and Salinas Grande areas of interest.
e. In May 2011 the Company announced the results of its definitive feasibility study of the Salar de Olaroz lithium-potash brine project in Argentina.
f. During the year the Company issued 835,000 options with exercise price of $2.03.

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

Options

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

Grant Date	Expiry Date	Exercise Price	No. Under Option
9 August 2010	30 June 2013	$2.03	435,000
9 August 2010	30 June 2015	$2.03	400,000

No person entitled to exercise these options had or has any right by virtue of the options to participate in any share issue of any other body corporate. During the year, 325,000 ordinary shares in the Company were issued on the exercise of options. This is made up of employee options granted in 2008, exercised at $0.375. Also, a further 75,000 of these options lapsed in the year.

No amounts are unpaid on the shares. An additional 125,000 options have been exercised since the reporting date to the date of this report.

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

Subsequent Events, Future Developments, Prospects and Business Strategies

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

The Company has issued 125,000 shares subsequent to balance date following the exercise of options raising $46,875. The Group has entered into a contract for the provision of detailed engineering services in relation to the Olaroz project, value approximates $5.1 million. Since the end of the financial year the Company has issued 6,135 new shares at $1.63 in partial settlement of contractual payments in relation to Olaroz tenements.

The Company also announced that it had received approval of the addenda to the Environmental Impact Statement (EIS) for the Olaroz Project. The addenda updated the previously approved EIS with the results of company's recently completed definitive feasibility study.

In August 2011, the Company announced that the due diligence process undertaken by Toyota Tsusho Corporation (TTC) and Japan Oil, Gas and Metals National Corporation (JOGMEC) was complete and approved TTC's request for an extension of the 90-day period to exercise their option to acquire a 25% interest in the Olaroz project. The terms for this extension are still to be finalised.

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

Environmental Issues

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

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

Corporate Governance

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

Indemnifying Directors, Officers and Auditors

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

The economic entity has paid premiums to insure each of the Directors and Officers of the Company against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The contracts include a prohibition on disclosure of the premium paid and nature of the liabilities covered under the policy.

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

Proceedings on Behalf of the Company

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

Non-audit Services

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

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

During the year the Company paid its lead auditor $38,000 for due diligence services relating to the Canadian capital raising in February 2011, undertaken by the Company. The auditor also received $5,000 for other assurance services.

Overseas firms associated with the company's lead auditor received fees totalling $7,705 for other accounting compliance services.

Auditor's Independence Declaration

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

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

James D Calaway	**Richard P Seville**
Chairman	**Managing Director**
Signed: 24 September 2011	
Brisbane, Queensland	

Hayes Knight Audit
chartered accountants

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Registered Audit Company 299289

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

To the Directors of Orocobre Limited

As lead auditor for the audit of Orocobre Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

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

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

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

Hayes Knight Audit (Qld) Pty Ltd

Hayes Knight Audit (Qld) Pty Ltd

Nigel Bamford

N D Bamford
Director

Date: 24 September 2011

OROCOBRE LIMITED
ABN 31 112 589 910

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2011

	Note	Economic Entity 2011 $	Economic Entity 2010 $
Revenue	2	1,324,656	180,537
Recovery of de-merger costs		-	530,000
Less expenses:	3		
Corporate & administrative expenses		(3,364,801)	(3,895,090)
Occupancy costs		(160,517)	(129,334)
Exploration & evaluation expenditure expensed		-	(34,281)
Capitalised exploration & evaluation expenditure written off		-	-
Foreign currency gain/(loss)		356,489	(887,683)
Loss before income tax expense		(1,844,173)	(4,235,851)
Income tax expense	4	-	-
Loss for the year from continuing operations		(1,844,173)	(4,235,851)
Profit from discontinued operations		-	33,863
Loss for the period		(1,844,173)	(4,201,988)
Other Comprehensive income			
Translation of foreign controlled entities		(5,127,145)	(92,882)
Net gain on revaluation of financial assets		81,071	3,280,000
Other Comprehensive income for the period, net of tax		(5,046,074)	3,187,118
Total comprehensive income (loss) for the period		(6,890,247)	(1,014,870)
Loss attributable to:			
Members of the parent entity		(1,789,856)	(4,163,600)
Non-controlling interest		(54,317)	(38,388)
		(1,844,173)	(4,201,988)
Total Comprehensive income (loss) attributable to:			
Members of the parent entity		(6,835,930)	(976,482)
Non-Controlling interest		(54,317)	(38,388)
		(6,890,247)	(1,014,870)
Basic earnings per share (cents per share)	5	(1.88)	(5.56)
Diluted earnings per share (cents per share)	5	(1.88)	(5.56)
Dividends per share (cents per share)		-	-

The accompanying notes form part of these financial statements.

OROCOBRE LIMITED
ABN 31 112 589 910

STATEMENT OF FINANCIAL POSITION
As at 30 June 2011

	Note	Economic Entity 2011 $	Economic Entity 2010 $
CURRENT ASSETS			
Cash and cash equivalents	7	37,678,205	24,482,793
Trade and other receivables	8	311,264	277,771
Other	9	119,673	309,431
Total Current Assets		38,109,142	25,069,995
NON-CURRENT ASSETS			
Financial assets	10	269,107	130,000
Property, plant and equipment	11	340,088	200,938
Exploration and evaluation asset	12	27,249,892	15,376,489
Other receivables	8	2,146,973	-
Total Non-Current Assets		30,006,060	15,707,427
TOTAL ASSETS		68,115,202	40,777,422
CURRENT LIABILITIES			
Trade and other payables	13	5,303,703	6,525,785
Total Current Liabilities		5,303,703	6,525,785
TOTAL LIABILITIES		5,303,703	6,525,785
NET ASSETS		62,811,499	34,251,637
EQUITY			
Issued Capital	14	75,960,637	40,954,552
Reserves	15	(5,144,376)	(542,326)
Accumulated losses		(8,320,743)	(6,530,887)
Parent interest		62,495,518	33,881,339
Non controlling interest		315,981	370,298
TOTAL EQUITY		62,811,499	34,251,637

The accompanying notes form part of these financial statements.

OROCOBRE LIMITED

ABN 31 112 589 910

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2011

Economic Entity	Note	Share Capital	Accumulated Losses	Option Reserve	Foreign Currency Translation Reserve	Financial Assets Reserve	Non controlling Interests	Total
		$	$	$	$	$	$	$
Balance at 1 July 2009		2,055,613	(2,194,287)	340,037	(360,946)	-	408,686	10,249,103
Loss attributable to members of the company		-	(4,163,600)	-	-	-	-	(4,163,600)
Loss attributable to non controlling interests		-	-	-	-	-	(38,388)	(38,388)
Other comprehensive income for the period		-	-	-	(92,882)	3,280,000	-	3,187,118
Total comprehensive income (loss)		-	(4,163,600)	-	(92,882)	3,280,000	(38,388)	(1,014,870)
Shares issued during the period	14	31,799,186	-	-	-	-	-	31,799,186
Transaction costs		(2,620,197)	-	-	-	-	-	(2,620,197)
Capital reduction:								
Capital return		(827,000)	(3,573,000)	-	-	-	-	(4,400,000)
Transfer of reserve		-	-	-	-	(3,400,000)	-	-
Options expensed during the period	14	-	-	238,415	-	-	-	238,415
Options exercised during the period	14	546,950	-	(546,950)	-	-	-	-
Balance at 30 June 2010		40,954,552	(6,530,887)	31,502	(453,828)	(120,000)	370,298	34,251,637
Loss attributable to members of the company		-	-	-	-	-	-	(1,789,856)
Loss attributable to non controlling interests		-	-	-	-	-	(54,317)	(54,317)
Other comprehensive income for the period		-	-	-	(5,127,145)	81,071	-	(5,046,074)
Total comprehensive income (loss)		-	(1,789,856)	-	(5,127,145)	81,071	(54,317)	(6,890,247)
Shares issued during the period	14	37,611,864	-	-	-	-	-	37,611,864
Transaction costs		(2,636,654)	-	-	-	-	-	(2,636,654)
Options expensed during the period	14	-	-	474,899	-	-	-	-
Options exercised during the period	14	30,875	-	(30,875)	-	-	-	-
Balance at 30 June 2011		75,960,637	(8,320,743)	475,526	(5,580,973)	(38,929)	315,981	62,811,499

The accompanying notes form part of these financial statements.

OROCOBRE LIMITED

ABN 31 112 589 910

STATEMENT OF CASH FLOWS

for the year ended 30 June 2011

	Note	Economic Entity 2011 $	2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(6,291,808)	(4,145,547)
Net Interest received		1,145,815	180,537
Recover of de-merger costs		-	280,000
Net cash provided by (used in) operating activities	16	(5,145,993)	(3,685,010)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capitalised exploration expenditure	12	(16,057,008)	(12,181,892)
Purchase of property, plant and equipment	11	(313,409)	(199,267)
Purchase of listed shares	10	(58,036)	-
Proceeds from sale of property, plant and equipment		14,730	-
Net cash provided by (used in) investing activities		(16,413,723)	(12,381,159)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	14	37,460,268	31,238,949
Costs associated with share issue	14	(2,528,316)	(2,620,197)
Funds provided under joint venture agreement		67,107	5,171,370
Net cash provided by (used in) financing activities		34,999,059	33,790,122
Net increase in cash held		13,439,343	17,723,953
Cash and cash equivalents at beginning of period		24,482,793	6,924,207
Effect of exchange rates on cash holdings in foreign currencies		(243,931)	(165,367)
Cash at end of year	7	37,678,205	24,482,793

The accompanying notes form part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers the economic entity of Orocobre Limited and controlled entities. Orocobre Limited is a public company, incorporated and domiciled in Australia. The financial report has been prepared on an accruals basis and is based on historical cost modified (where applicable) by the measurement at fair value of selected non-current assets, financial assets and liabilities.

Separate financial statements for Orocobre Limited as an individual entity are not presented following a change to the Australian *Corporations Act 2001*. However, financial information required for Orocobre Limited as an individual entity in included in Note 24. The financial statements were authorised for issue on 9 September 2011 by the directors of the company.

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

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

Principles of Consolidation

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

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

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

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

Non-controlling interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the group, are shown separately within the Equity section of the consolidated Statement of Financial Position and in the consolidated Statement of Comprehensive Income.

Business Combinations

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

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

Income Tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

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

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

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

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

Property, Plant and Equipment

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Exploration and Evaluation Expenditure

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

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

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

Restoration Costs

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets.

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

Derecognition

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

Classification and Subsequent Measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. For quoted investments this is bid price.

Amortised cost is calculated as:

(a) the amount at which the financial asset or financial liability is measured at initial recognition;
(c) less principal repayments;
(d) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
(e) less any reduction for impairment.

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

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

Loans and receivables

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Available-for-sale financial assets

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

Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

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

Impairment of Assets

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

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

Cash and Cash Equivalents

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

Issued Capital

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

Employee Benefits

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

Equity Settled Payments

The group operates equity-settled share-based payments to Group personnel and other parties for services provided or the acquisition of exploration assets. The fair value of the equity is measured at grant date and recognised as an asset or an expense over the vesting period, with a corresponding increase to an equity account. The fair value of payments to other parties is determined with reference to the fair value of the assets/services received, or the value of equity issued. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a binomial lattice pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Revenue and Other Income

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

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of GST (or overseas, VAT), except where the amount of GST incurred is not recoverable from the relevant taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

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

Provisions

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

Leases

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

Earnings per Share (EPS)

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

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

Foreign Currency Transactions and Balances

Functional and presentation currency:

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

Transaction and balances:

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

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

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

Group companies:

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

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

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

Critical Accounting Estimates and Judgements

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

The economic entity makes estimates and judgements in applying the accounting policies. Critical judgements in respect of accounting policies relate to exploration and evaluation assets, whereby exploration and evaluation expenditure is capitalised in certain circumstances, primarily where activities in the area of interest have not yet reached a stage which permits reasonable assessment of economically recoverable reserves. Otherwise expenditure is expensed.

Comparative Figures and Financial Period

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

New Accounting Standards for Application in Future Periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those Standards and Interpretations likely to be relevant to the Group and their impact is as follows:

AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The key changes made to accounting requirements include:

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

AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Group.

AASB 2009–14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

This Standard is not expected to impact the Group.

AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- -clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- -adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- -amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- -adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- -making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Group.

AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the Group.

AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

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

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

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

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112. The amendments are not expected to impact the Group.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 2011-7 – Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards (applicable for annual reporting periods commencing on or after 1 July 2013).

Consequential amendments to AASB 127 Separate Financial Statements and AASB 128 Investments in Associates as a result of the adoption of AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements and AASB 12 Disclosure of Interests in Other Entities.

The Group has not yet determined the impact on the Group's financial statements.

AABS 10 – Consolidated Financial Statements (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and Interpretation 112 Consolidation – Special Purpose Entities.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.

The Group has not yet determined the impact on the Group's financial statements.

AASB 11 – Joint Arrangements (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 11 replaces AASB 131 Interest in Joint Ventures and Interpretation 113 Jointly – Controlled Entities: Non- monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.

The Group has not yet determined the impact on the Group's financial statements.

AASB 12 – Disclosure of Interests in Other Entities (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

The Group has not yet determined the impact on the Group's financial statements.

AASB 13 – Fair Value Measurement (applicable for annual reporting periods commencing on or after 1 July 2013).

Consequential amendments to AASB 127 Separate Financial Statements and AASB 128 Investments in Associates as a result of the adoption of AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements and AASB 12 Disclosure of Interest in Other Entities,

The Group has not yet determined the impact on the Group's financial statements.

	Economic Entity 2011 $	Economic Entity 2010 $
NOTE 2: REVENUE AND OTHER INCOME		
Operating activities:		
Interest - other persons	1,145,815	180,537
Other revenue	178,841	-
Recovery of de-merger costs (note 10)	-	530,000
Profit on disposal of discontinued operation (a)	-	33,863

(a) During the previous year, the economic entity disposed of its Santo Domingo exploration tenements. These tenements represented all of the consolidated entity's gold/copper exploration tenements, and were treated as a discontinued operation in the 2010 financial statements.

NOTE 3: PROFIT/(LOSS) FOR THE YEAR

	2011 $	2010 $
Included in expenses are the following items:		
Exploration expenditure expensed during year	-	34,281
Capitalised exploration & evaluation expenditure written-off	-	-
Depreciation & amortisation	96,735	31,943
Rental expense on operating lease	112,309	71,620
Foreign currency translation losses/(gains)	(356,489)	887,683
Employee benefits expense comprises:		
Short term benefits	2,891,859	1,556,047
Contributions to defined contribution plans	52,518	43,661
Share based payments	474,898	238,415
Less capitalised as exploration expenditure	(1,474,595)	(722,991)
	1,944,680	1,115,132

NOTE 4: INCOME TAX EXPENSE

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

	2011 $	2010 $
Prima facie tax payable/(benefit) on loss from ordinary activities before income tax at 30% (2010: 30%).	(553,252)	(1,270,755)
Adjust for tax effect of:		
Non-deductible amounts	(210,584)	(112,888)
Tax losses and temporary differences not brought to account	763,836	1,383,643
Income tax expense/(benefit) attributable to entity	-	-
Weighted average effective tax rate	0.00%	0.00%

The Group has unconfirmed carry forward losses of approximately $8,000,000 in Australia and $2,000,000 in foreign losses (2010: $22,000,000). Last year's tax losses have been adjusted by approximately $12,000,000 to reflect a reassessment of amounts deductible under foreign jurisdiction. This relates to exploration expenditure which was previously treated as a deduction but which is now treated as a capital amount for tax, but in certain circumstances may qualify for future deduction.

NOTE 4: INCOME TAX EXPENSE (continued)

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

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

	2011 $	2010 $
Temporary differences (comprising share issue costs, provisions and other items)	907,394	(4,487,492)
Tax losses	3,127,710	6,597,727
Net unbooked deferred tax asset	4,035,104	2,110,235

NOTE 5: EARNINGS PER SHARE

Loss for the financial year	1,844,173	4,201,988
Exclude non-controlling interest	(54,317)	(38,388)
Net loss used in the calculation of basic and dilutive EPS	1,789,856	4,163,600
	No.	**No.**
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	95,314,588	74,830,428
Weighted average number of options outstanding	-	-
Weighted average number of ordinary shares outstanding during the period used in the calculation of dilutive EPS	95,314,588	74,830,428

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

NOTE 6: AUDITORS' REMUNERATION

	2011 $	2010 $
Remuneration of the auditor of the parent entity for:		
- auditing or reviewing the financial report	47,500	27,800
- other assurance services	5,000	-
- other services (due diligence)	38,000	62,000
	90,500	89,800

Due diligence services relate to the Company’s capital reduction and the Canadian prospectus.

Remuneration of other auditors of subsidiaries for:		
- auditing or reviewing the financial report	51,965	10,000
- other services (accounting compliance)	7,705	10,000
	59,670	20,000

NOTE 7: CASH AND CASH EQUIVALENTS

Cash at bank and on hand	1,261,170	1,260,185
Short term deposits	36,417,035	23,222,608
	37,678,205	24,482,793

The effective interest rate on short term deposits was 3.2% (2010: 4.9%). Deposits have an average maturity of 45 days.

NOTE 8: TRADE AND OTHER RECEIVABLES	**2011**	**2010**
	$	**$**
Current:		
Related party receivables	32,242	30,000
Other receivables	279,022	247,771
	311,264	277,771
Non Current:		
VAT Tax Credits	2,146,973	-

There are no balances within other receivables that are impaired and past due. It is expected these balances will be received when due. Impaired assets are provided for in full. There are no balances with terms that have been renegotiated but which would otherwise be past due or impaired. The amounts are non-interest bearing and generally on 30 days terms. No collateral is held over receivables.

Credit Risk — Trade and Other Receivables

Included in non-current receivables is $2,146,973 being VAT recoveries due from the Argentine revenue authority. This amount represents a significant concentration of credit risk to the Group. On a geographical basis the Group has total receivables of A$2,284,427 denominated in Argentine pesos, which represents a significant concentration of credit risk to the Group. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

NOTE 9: OTHER ASSETS	**2011**	**2010**
	$	**$**
Current:		
Prepayments	119,673	309,431

NOTE 10: FINANCIAL ASSETS

Available for sale financial assets (at fair value)

Non-current - Shares in listed entity (a)	269,107	130,000

(a) In a series of transactions during the previous year, the economic entity assigned to the Elementos group the rights to the Santo Domingo exploration tenements (for consideration of $1,000,000 settled by issue of 20,000,000 Elementos shares), and re-charged to the Elementos group various costs totalling $530,000 (settled by $280,000 cash payment and issue of 1,000,000 Elementos shares).

Elementos listed on the Australian Securities Exchange on 23 December 2009, at which time Orocobre's shareholding in Elementos (21,000,001 shares) reduced to 38.9% of that company. Orocobre also undertook a capital reduction, through a pro-rata in specie distribution of 20,000,001 Elementos shares to all the holders of Orocobre ordinary shares, resulting in a remaining shareholding in Elementos of 1,000,000 shares. In the current year the Group has acquired further minor shareholding in Elementos.

Controlled Entities

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

NOTE 10: FINANCIAL ASSETS (continued)

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

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

NOTE 11: PLANT AND EQUIPMENT

	2011 $	2010 $
Plant and equipment		
At cost	462,832	261,349
Accumulated depreciation	(122,744)	(60,411)
Total plant and equipment	340,088	200,938
Reconciliation of the carrying amounts for property, plant and equipment is set out below:		
Balance at the beginning of year	200,938	77,268
Additions	313,409	199,267
Disposals	(7,968)	(13,277)
Depreciation expense	(96,735)	(31,943)
Foreign currency translation movement	(69,556)	(30,377)
Carrying amount at the end of year	340,088	200,938

NOTE 12: EXPLORATION AND EVALUATION ASSET

	2011	2010
Exploration and evaluation expenditure carried forward in respect of areas of interest are:		
Exploration and evaluation phase - at cost	27,249,892	15,376,489
Movement in exploration and evaluation asset:		
Opening balance - at cost	15,376,489	3,419,127
Capitalised exploration expenditure	16,208,604	12,776,410
Sale of exploration tenements	-	(889,147)
Exploration expenditure written-off - current year	-	(34,281)
Foreign currency translation movement	(4,335,201)	104,380
Carrying amount at the end of year	27,249,892	15,376,489

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

Sale of exploration tenements relates to Santo Domingo as part of the Elementos transaction (note 10(a)).

Capitalised exploration expenditure includes $151,596 (2010: $560,237) settled by way of share issue (note 14).

NOTE 13: TRADE AND OTHER PAYABLES

	2011 $	2010 $
Current:		
Sundry payables and accrued expenses	1,023,590	1,271,396
Joint venture contributions received (a)	4,198,545	5,171,370
Short term employee benefits	66,237	26,354
Payable to related entities	15,331	56,665
Total trade & other payables (unsecured)	5,303,703	6,525,785

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

NOTE 14: ISSUED CAPITAL

	2011 $	2010 $
Fully paid ordinary shares	75,960,637	40,954,552

Ordinary shares	**No.**	**No.**
Balance at the beginning of the reporting period	91,036,426	66,795,085
Shares issued during the year:		
Previous financial year	-	24,241,341
8 July 2010– Option exercise at $0.375	20,000	-
25 August 2010 – Tenement acquisition at $2.01	5,570	-
30 September 2010 – Tenement acquisition at $2.16	65,000	-
30 September 2010 – Option exercise at $0.375	55,000	-
11 February 2011 – Australian placement at $3.21	4,672,898	-
25 February 2011 - Canadian placement at $3.21	6,959,000	-
28 June 2011 - Option exercise at $.375	250,000	-
Balance at reporting date	103,063,894	91,036,426

Capital raised during the year totalled $37,611,864 (2010: $31,779,186) less $2,636,654 (2010: $2,620,197) of costs.

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

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

NOTE 14: ISSUED CAPITAL (continued)

Options	**No.**	**No.**
Unlisted Share Options	960,000	525,000
Balance at the beginning of the reporting period	525,000	8,775,000
Options issued during the year	835,000	-
Exercise of options during the year	(325,000)	(8,250,000)
Options lapsed during the year	(75,000)	-
Balance at reporting date	960,000	525,000

During the year, 835,000 options were granted to Argentine employees and consultants. Options are exercisable at $2.03, with 435,000 expiring 31 July 2013 & 400,000 expiring 30 June 2015. Refer to Note 20 for details of share based payments.

The amount expensed during the period in relation to all options is $474,899 (2010: $238,415). This amount has been credited to the Option Reserve.

Capital Management

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

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

Capital Return

As set out in note 10(a), the parent entity resolved in March 2010 to complete a capital reduction by way of an in-specie distribution of the Elementos shareholding. The capital return of $4,400,000 was applied against issued capital and retained earnings.

NOTE 15: RESERVES

Foreign currency translation reserve:

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

Options reserve:

The options reserve records amounts recognised as expenses on valuation of share options granted for services provided. When options are exercised, the relevant valuation applicable to those options is transferred from the Option Reserve to Share Capital.

Financial assets reserve:

The financial assets reserve records revaluation of financial assets.

NOTE 16: CASH FLOW INFORMATION

	2011 $	2010 $
Reconciliation of Cash Flow from Operations with Loss after Income Tax:		
Loss from ordinary activities after income tax	(1,844,173)	(4,201,988)
Non-cash flows in loss from ordinary activities:		
Options expense	474,898	238,415
Depreciation	96,735	31,943
Sale of assets	(4,237)	(33,863)
Non-cash de-merger receipt	-	(250,000)
Unrealised foreign exchange gain	(1,148,270)	-
Changes in operating assets and liabilities:		
(Increase)/Decrease in receivables	(2,390,041)	(246,481)
(Decrease)/Increase in payables	(397,385)	1,082,271
(Increase)/Decrease in prepayments	66,480	(305,307)
Cash flows from operations	(5,145,993)	(3,685,010)

Non-cash Financing and Investing Activities

Share Issues:

During the year 70,570 (2010: 309,523) shares were issued, representing $151,596 (2010: $560,237) under a mineral tenement acquisition agreement.

In the previous year, the economic entity undertook a series of transactions in relation to Elementos and the Santo Domingo exploration tenements. The non-cash components of the transaction were the acquisition of Elementos shares for $1,000,000 and $250,000, the disposal of Santo Domingo (book value $889,147) and the capital return/in specie distribution of Elementos shares for $4,400,000.

NOTE 17: RELATED PARTY TRANSACTIONS

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

Transactions with Key Management Personnel

Key Management Personnel compensation and equity interests are detailed in Note 19.

During the year, the parent entity engaged Cambridge Business & Corporate Services, an entity controlled by Mr Crawford, company secretary of the parent entity, to provide accounting, company secretarial and other services to the parent entity. Professional fees for the provision of these services for the year totalled $130,900 (2010: $136,450). At balance date an amount of $9,350 (2010: $51,425) was owing.

During the year, the parent entity had a contract with Australian Geoscientists Pty Ltd, an entity controlled by Mr Stuart, a director of the parent entity, to provide geological consulting services to the parent entity. Professional fees for the provision of these services for the year totalled $ nil (2010: $ nil). At balance date no amount was owed.

During the year, the parent entity engaged Lithium Investors LLC, an entity associated with Mr Calaway, a director of the parent entity, to provide technical services to the parent entity. Professional fees for the provision of these services for the year totalled $163,552 (2010: $199,766). At balance date an amount of $5,981 was owing (2010: nil).

NOTE 17: RELATED PARTY TRANSACTIONS (continued)

Other related parties

Elementos Limited, listed on the ASX, is a related party of the Group as Messrs Calaway & Stuart are directors of that company, and Mr Crawford is a company secretary.

During the previous year, transactions with Elementos Group in the period were:

The issue of 20,000,000 fully paid ordinary shares at 5 cents each ($1,000,000) from Elementos for the assignment of the rights to the Santo Domingo Tenements.

Payment of $530,000 as a cost reimbursement in respect of various costs incurred by Orocobre on behalf of Elementos. The payment was satisfied by the issue of 1,000,000 fully paid ordinary shares at 25 cents each and $280,000 cash.

During the year, the company was party to a cost reimbursement agreement for services provided to Elementos Limited and Coronation Resources Limited. A total of $149,204 (2010: $38,993) was received under this agreement from Elementos Ltd, and a total of $12,389 (2010: $ nil) was received from Coronation Resources Limited. At balance date an amount of $10,172 (2010: $30,000) was owing from Elementos Limited, and an amount of $2,296 (2010: $ nil) was owing from Coronation Resources Limited. Messrs Crawford & Stuart are directors of Coronation Resources and Mr Crawford is company secretary.

During the year, the company was party to a tenancy agreement with DiamonEx Limited, a company of which Messrs Paul Crawford and Dennis O'Neill, former directors of the company, are also directors. A total of $ nil (2010: $23,636) was paid under this agreement. At balance date, and amount of $19,774 was owing (2010: $nil).

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

NOTE 18: COMMITMENTS

Exploration Commitments

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

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

	2011 $	2010 $
Not later than 1 year	2,025,787	2,346,828
Later than 1 year but not later than 5 years	2,355,495	5,430,392
Total commitment	4,381,282	7,777,220

Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements, payable:		
Not later than 1 year	99,279	105,420
Later than 1 year but not later than 5 years	-	100,984
Total commitment	99,279	206,404

The lease commitment relates to a non-cancellable lease with a one -year term remaining. Rent is payable monthly in advance.

NOTE 18: COMMITMENTS (continued)

Contract services

Post June 2011, the Company entered into a contract with Sinclair Knight Merz (Chile) LTDA (SKM) for the provision of detailed engineering services in relation to the Olaroz Project, value approximates $5.1 million. At year end there are no contractual commitments.

Contingencies

There were no contingent liabilities at the end of the reporting period.

NOTE 19: KEY MANAGEMENT PERSONNEL COMPENSATION & EQUITY

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

James D. Calaway	Director - Executive Chairman
Richard P. Seville	Director - Executive
Neil F. Stuart	Director - Non-Executive
John W. Gibson	Director - Non-Executive
Courtney Pratt	Director - Non-Executive
Ferando Oris de Roa	Director - Non-Executive
Frederico Nicolson	Director - Non-Executive (appointed 15 September 2010)
Paul A Crawford	Company Secretary

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

(b) Key Management Personnel Compensation	2011 $	2010 $
Short-term employee benefits	817,837	658,311
Post-employment benefits	28,125	17,212
Other long-term benefits	-	-
Share-based payments	-	204,668
	845,962	880,191

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

(c) Number of shares held by key management personnel (i)

2011	No. Opening Balance	No. Options Converted	No. Compen-sation	No. Purchased / (Sold)	No. Balance 30 June 2011
Directors:					
James D. Calaway	-	-	-	-	8,200,000
Neil F. Stuart	-	-	-	70,000	5,622,996
Richard P. Seville	-	-	-	-	4,821,500
John W. Gibson	-	-	-	-	25,000
Courtney Pratt	-	-	-	-	-
Ferando Oris de Roa	-	-	-	-	-
Frederico Nicholson	-	-	-	-	-
Other:					
Paul A. Crawford	3,055,185	-	-	(351,500)	2,703,685
Total	21,654,681	-	-	(281,500)	21,373,181

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

2010	No. Opening Balance	No. Options Converted	No. Compen-sation	No. Purchased / (Sold)	No. Balance 30 June 2010
Directors:					
James D. Calaway	-	-	-	-	-
Neil F. Stuart	-	-	-	-	-
Richard P. Seville	-	-	-	-	-
Dennis C. O'Neill (at resignation)	-	-	-	-	-
Jack Tan (at resignation)	-	-	-	-	-
John W. Gibson	-	-	-	-	-
Courtney Pratt	-	-	-	-	-
Ferando Oris de Roa	-	-	-	-	-
Other:					
Paul A. Crawford	2,531,252	1,000,000	-	(476,067)	3,055,185
Total	20,545,749	7,000,000	-	(701,067)	26,844,682

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

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

No options are held by key management personnel for the current financial year.

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

2010	Opening Balance	Converted	Compen-sation	Purchased / (Sold)	Balance 30 June 2010
Directors:					
James D. Calaway	-	-	-	-	-
Neil F. Stuart	2,000,000	(2,000,000)	-	-	-
Richard P. Seville	2,000,000	(2,000,000)	-	-	-
Dennis C. O'Neill	1,000,000	(1,000,000)	-	-	-
Jack Tan	1,000,000	(1,000,000)	-	-	-
John W. Gibson	-	-	-	-	-
Courtney Pratt	-	-	-	-	-
Ferando Oris de Roa	-	-	-	-	-
Other:					
Paul A. Crawford	1,000,000	(1,000,000)	-	-	-
Total	7,000,000	(7,000,000)	-	-	-

(i) Represents options held directly or indirectly.

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

NOTE 20: SHARE BASED PAYMENTS

(a) Options

The parent entity had 525,000 share options on issue at the start of the year, being options issued during the 2009 financial year, with an exercise price $0.375 expiring 31 July 2011.

During the year, 325,000 of these options were exercised, and 75,000 were forfeited.

NOTE 20: SHARE BASED PAYMENTS (continued)

During the year 835,000 share options were granted pursuant to the company's Employee & Officer Share Option Plan for nil consideration. Options are exercisable at $2.03 each with 435,000 expiring on 30 June 2013 & 400,000 expiring on 30 June 2015.

All options granted are over ordinary shares, which confer a right of one ordinary share per option. The options hold no voting or dividend rights. At balance date there are no options on issue to key management personnel (2010: nil).

Options movements in the year are:

	2011		2010	
	No. of Options	**Weighted Average Exercise Price**	**No. of Options**	**Weighted Average Exercise Price**
	No	**$**	**No**	**$**
Outstanding at the start of the year	525,000	0.375	8,775,000	0.261
Granted	835,000	2.030	-	-
Forfeited	(75,000)	0.375	-	-
Exercised	(325,000)	0.375	(8,250,000)	0.257
Expired	-	-	-	-
Outstanding at year-end	960,000	1.815	525,000	0.375
Exercisable at year-end	442,500	1.562	525,000	0.375

At the date of exercise, the weighted average share price was $2.10. The options outstanding at 30 June 2011 had a weighted average exercise price of $1.8145 and a weighted average remaining contractual life of 2.6 years.

The weighted average fair value of options granted during the year was $0.859 (2010: $ nil).

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

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

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

(b) Shares

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

During the previous year 309,523 shares were issued to third parties as share based payments for the acquisition of exploration assets. The weighted average value of these shares, determined by reference to market price was $1.81. An amount of $560,237 was included in capitalised exploration expenditure for the year, in relation to this share based payment.

NOTE 21: FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management

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

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

Risk Management Policies

A finance committee consisting of key management of the group meet on a regular basis to analyse exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

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

Financial Risks

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

Interest Rate Risk

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

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

Liquidity Risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. This risk is managed by ensuring, to the extent possible, that there is sufficient liquidity to meet liabilities when due, without incurring unacceptable losses or risking damage to the group's reputation.

The group's activities are primarily funded from equity sources.

Financial instrument composition and maturity analysis:

	2011	2010
Financial assets:		
Within 6 months	$	$
- cash & cash equivalents	37,678,205	24,482,793
- receivables	311,264	277,771
	37,989,469	24,760,564
Within 3 years		
- receivables	2,146,973	-
Over 5 years		
- shares in listed entity	269,107	130,000
Total	40,405,549	24,890,564
Financial liabilities:		
Within 6 months		
- payables	5,303,703	6,525,785

Net expected inflow on financial instruments within 6 months is $32,685,766 (2010: $18,234,779).

NOTE 21: FINANCIAL RISK MANAGEMENT (continued)

Foreign Currency Risk

The group is exposed to fluctuations in foreign currencies arising from the purchase of goods and services in currencies other than the group's measurement currency. The Group does not currently undertake any hedging of foreign currency items. See note 21 (c) for further details.

Credit Risk

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

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

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

(b) Net Fair Values

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

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

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

(c) Sensitivity Analysis

The group has performed sensitivity analysis relating to its exposure to interest rate risk. At year end, the effect on profit and equity as a result of a 1% change in the interest rate, with all other variables remaining constant would be +/- $376,782 (2010: $244,828).

The group has performed sensitivity analysis relating to its exposure to foreign exchange risk. At year end, the effect on profit and equity as a result of a 10% change in the Argentine Peso, with all other variables remaining constant would be +/-$206,987 (2010: $5,799).

This exposure arises from Argentine Peso bank accounts and receivables, offset by payables. Net exposure is ARS9,105,085 (2010: ARS195,596) and equivalent A$2,069,874 (2010: A$57,988).

At year end, the effect on profit and equity as a result of a 10% change in the United States Dollar, with all other variables remaining constant would be +/-$408,855 (2010: $51,125). This exposure arises from a United States Dollar bank account, and a United States Dollar loan agreement with Toyota Tsusho Corporation. Net exposure is US$4,383,434 (2010: US$437,969) and equivalent A$4,088,548 (2010: A$511,250).

At year end, the effect on profit and equity as a result of a 10% change in the Canadian Dollar, with all other variables remaining constant would be +/-A$418 (2010: $2,074,260). This exposure arises from a Canadian Dollar bank account. Net exposure is CAD4,325 (2010: CAD18,628,752) and equivalent A$4,178 (2010: A$20,742,608).

NOTE 22: SEGMENT REPORTING

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

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

Geographical Information

	Australia		Argentina		Economic Entity	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
REVENUE	**$**	**$**	**$**	**$**	**$**	**$**
Segment revenue	1,307,408	710,537	17,248	-	1,324,656	710,537
ASSETS						
Segment assets	37,451,930	24,490,897	30,663,272	16,286,525	68,115,202	40,777,422
LIABILITIES						
Segment liabilities	4,692,499	5,832,602	611,204	693,183	5,303,703	6,525,785

Segment accounting policies

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

NOTE 23: SUBSEQUENT EVENTS

Since the end of the financial year the Company has issued 6,135 new shares at $1.63 in partial settlement of contractual payments in relation to Olaroz tenements.

The Company has issued 125,000 shares subsequent to balance date following the exercise of options raising $46,875. The Group has entered into a contract for the provision of detailed engineering services in relation to the Olaroz project, value approximates $5.1 million.

In August 2011, the Company announced that the due diligence process undertaken by Toyota Tsusho Corporation (TTC) and Japan Oil, Gas and Metals National Corporation (JOGMEC) was complete and approved TTC's request for an extension of the 90-day period to exercise their option to acquire a 25% interest in the Olaroz project. The terms for this extension are still to be finalised.

The Company also announced that it had received approval of the addenda to the Environmental Impact Statement (EIS) for the Olaroz Project. The addenda updated the previously approved EIS with the results of company's recently completed definitive feasibility study.

The financial report was authorised for issue on 24 September 2011 by the Board of Directors.

NOTE 24: PARENT ENTITY INFORMATION

The following information relates to the parent entity, Orocobre Limited at 30 June 2011. This information has been prepared in accordance with Accounting Standards using consistent accounting policies as presented in note 1. The information is extracted from the books and records of the parent.

	30 June 2011	30 June 2010
	$	$
Current assets	37,594,841	34,518,090
Non-current assets	34,626,294	7,050,611
Total assets	72,221,135	41,568,701
Current liabilities	4,692,500	5,832,602
Non-current liabilities	-	-
Total liabilities	4,692,500	5,832,602
Contributed equity	75,960,637	40,954,552
Reserves	436,597	(88,498)
Accumulated losses	(8,868,599)	(5,129,955)
Total equity	67,528,635	35,736,099
Loss for the year	(3,738,644)	(3,483,973)
Other comprehensive income	81,071	(120,000)
Total comprehensive loss for the year	(3,657,573)	(3,603,973)

Orocobre Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries. The company had no contingent liabilities at year end. As set out in note 18 the Company has an operating lease commitment for $99,279 (2010: $206,404).

NOTE 25: COMPANY DETAILS

The registered office and principal place of business is:

Level 1 349 Coronation Drive
Milton Queensland 4064
Australia

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The attached financial statements and notes are in accordance with the *Corporations Act 2001* including:

    (a) complying with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

    (b) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2011 and their performance for the year ended on that date.

2. The Chief Executive Officer and Chief Finance Officer have each declared that:

    (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

    (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

    (c) the financial statements and notes for the financial year give a true and fair view.

3. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

James D Calaway	**Richard P Seville**
Chairman	**Managing Director**

Dated this: 24th day of September 2011

Hayes Knight Audit
chartered accountants

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF OROCOBRE LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Orocobre Limited (the company) and Orocobre Limited and Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF OROCOBRE LIMITED (continued)

Opinion

In our opinion:

a. the financial report of Orocobre Limited and Orocobre Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

    i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

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

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Orocobre Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001.*

Hayes Knight Audit (Qld) Pty Ltd

Hayes Knight Audit (Qld) Pty Ltd

Nigel Bamford

ND Bamford
Director

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

Date: 24 September 2011

TECHNICAL INFORMATION, COMPETENT PERSONS' AND QUALIFIED PERSONS STATEMENTS

The resource model and updated brine resource estimation on the Salar de Olaroz described in this announcement was undertaken by John Houston who is a Chartered Geologist and a Fellow of the Geological Society of London. John Houston has sufficient relevant experience to qualify as a competent person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. He is also a "Qualified Person" as defined by Canadian Securities Administrators' National Instrument 43-101("NI 43-101").

The Feasibility Study on the Olaroz project was prepared by Mr. Houston and industry consultants Michael Gunn (Consulting Processing Engineer) and Peter Ehren (Consulting Processing Engineer), together with Sinclair Knight Merz and the Orocobre technical group. Mr. Houston and Mr. Gunn prepared the technical report entitled "Technical Report – Salar de Olaroz Lithium-Potash Project, Argentina" dated May 30, 2011 (the "Olaroz Report") under NI 43-101 in respect of the Feasibility Study, and each of Messrs. Houston and Gunn was a Qualified Person under NI 43-101, and independent of the company, at the date such report was prepared. Each of Messrs. Houston, Gunn and Ehren has reviewed and approved the contents of this news release relating to the Olaroz Project.

The technical information in this announcement relating to Salinas Grandes has been prepared by Murray Brooker. Murray Brooker is a geologist and hydrogeologist and is a Member of the Australian Institute of Geoscientists. Murray has sufficient relevant experience to qualify as a competent person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. He is also a "Qualified Person" as defined in NI 43-101. Murray Brooker has reviewed and approved the contents of this news release relating to the Salinas Grandes Project.

Additional information relating to the Company's projects is available in the Olaroz Report, the "Technical Report – Salinas Grandes Project" dated April 30, 2010 and the "Technical Report – Salar de Cauchari Project, Argentina" dated April 30, 2010, respectively, which have each been prepared by John Houston, Consulting Hydrogeologist, together with, in the case of the Olaroz Report, Mike Gunn, Consulting Processing Engineer, in accordance with NI 43-101.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This report contains "forward-looking information" within the meaning of applicable securities legislation. Forward-looking information may include, but is not limited to, the results of the Olaroz feasibility study, the estimation and realization 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 and potash markets provided by Roskill in the Olaroz feasibility study, timing and receipt of approvals for the Company's projects, consents and permits under applicable legislation, adequacy of financial resources, 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, the finalization of a joint venture agreement with Toyoto Tsusho Corporation, potential operating synergies between the Salinas Grandes project and the Olaroz project, and other matters related to the development of the Olaroz project and the Salinas Grandes project.

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; changes in government 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; general risks associated with the feasibility of the Company's projects; risks associated with construction and development of the Olaroz project; unexpected capital or operating cost increases; the risk that a definitive joint venture agreement with Toyota Tsusho Corporation may not be completed; uncertainty of meeting anticipated program milestones at the Company's projects; as well as those factors disclosed in the Company's Annual Information Form for the year ended June 30, 2010 filed at www. sedar.com.

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 and potash, 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.