

31 October 2011

**ASX/TSX ANNOUNCEMENT  
Quarterly Report of Operations  
For The Period Ended 30 September 2011**

**Highlights and Significant Developments:**

**Salar de Olaroz Lithium-Potash Project:**

- Detailed engineering contract for the Olaroz Project awarded to Sinclair Knight Merz.
- Toyota Tsusho Corporation and Japanese financing institutions negotiations progressing favourably.
- Engagement in Jujuy provincial government's secondary approvals remains a key focus.

**Salinas Grandes Lithium-Potash Project:**

- Initial drilling program confirms favourable exploration potential.
- Brine chemistry is attractive, with expected high lithium-potash recoveries from a low-cost process.

**Salar de Cauchari Lithium-Potash Project:**

- Approval and commencement of drilling exploratory wells

**Corporate**

- Appointment of Vice President – Corporate Development.
- Strong cash position of A\$34.2m at end of the quarter.

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**Salar De Olaroz Lithium-Potash Project**

*Detailed Engineering Contract Awarded*

In early August, the Company awarded the Olaroz Project's detailed engineering contract to Sinclair Knight Merz ("SKM"), a large international engineering projects firm. The Olaroz Project is Orocobre's flagship project located in Jujuy province of north western Argentina, on which a Feasibility Study for a 16,400 tonnes per annum high-purity, battery-grade lithium

carbonate operation was completed earlier in 2011. SKM has been involved in the Olaroz Project for over a year and previously completed the engineering and capital and operating cost estimates for the Feasibility Study. SKM has significant lithium-potash industry experience. It is the only company that has ever designed and managed the construction of a complete lithium brine operation, at FMC's Salar de Hombre Muerto facility in Argentina. SKM has also provided services to lithium projects in Chile. Since the appointment of SKM, the Olaroz Project engineering team has been assembled and work has focused on reviewing the Olaroz Feasibility Study implementation plan to expedite project development once financing and governmental approvals have been concluded.

Further information of the Olaroz Project resource estimate and Feasibility Study is available in the company's announcements of 4 April and 3 May 2011 respectively.

#### *Toyota Tsusho Agreement and Financing Update*

Since completion of the definitive Feasibility Study ("DFS") 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 DFS was provided to Toyota Tsusho on 9 June, 2011.

Since then, due diligence on the DFS 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 Term Sheet announced on 18 January 2010 to allow these arrangements to be completed.

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

#### *Update on Approvals Process*

During the quarter, the Company continued to be actively engaged in the Jujuy government's secondary approvals process. The Company has provided extensive information to the Committee of Experts and made a number of formal presentations to this committee. The

Company has also been making important advancements by building on 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 announced, 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 receives all requisite approvals to allow commercial production to commence. The Company is not aware of any opposition to the Olaroz project being lodged with the provincial Minister of Production or the Committee of Experts. Management believes that the approvals process continues to be advancing favourably and is confident that final approval will be granted within a workable timeframe.

Further information on the approvals process is available in the Company's announcements of 27 May and 20 June 2011.

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

Early in the quarter, the Company announced encouraging results of the initial drilling program at the Salinas Grandes lithium-potash project in Argentina's Salta province. Salinas Grandes is located 70 kilometres southeast of the Company's Salar de Olaroz 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.

Brine chemistry exhibits favourable ratios of magnesium-to-lithium and potassium-to-lithium, combined with very low levels of sulphate. 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 Salar de Olaroz project provides potential operational synergies. One potential synergy could be 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 establish an understanding of the brine extractability through pumping tests. A shallow auger drilling program, comprised of 46 wells, to better define the near surface brine body was completed subsequent to the end of the quarter and the results are currently under analysis. A resource estimate is expected during the fourth quarter 2011 together with initial guidance of potential extractability. Further technical information on Salinas Grandes is provided in the Company's announcement of 18 July 2011.

#### **Salar de Cauchari Project Approval and Drilling of Exploratory Wells (Orocobre 85%)**

In early September, the Company's South American Salars subsidiary (85%) received authorisation to drill exploratory wells on its Salar de Cauchari property ("Cauchari Project"), located 5 km south of the Company's Olaroz Project in Jujuy province.

In accordance with the project's Environment Impact Assessment ("EIS") addenda the provincial Director of Mines and Energy Resources has approved a limited program that permits drilling and the construction of related access roads. The objective of the program is to delineate a brine body at the Cauchari Project and to allow a resource estimate to be undertaken. The Company's drill program will test the area on the company's leases directly to the south-east of the highest grade part of the brine body drill tested by Lithium Americas Corp. on its Cauchari lithium project.

As previously announced 31 January, 2011, interpretation of the Company's geological and geophysical survey information at the Cauchari Project, combined with publicly released information from Lithium Americas Corp. regarding the extensive testing of its leases, has encouraged Orocobre that there is a potential for the highest grade part of the brine body delineated by Lithium Americas Corp to extend onto South American Salar's Cauchari properties

South American Salars holds rights to over 30,000 hectares of properties at the Cauchari Project. Although the Company does not anticipate developing a separate lithium-potash processing

facility at the Cauchari Project, the Company believes that there is potential to create considerable value by using Cauchari brines at its planned Olaroz Project processing facilities.

This development strategy, would require an Olaroz Project capacity expansion at relatively low incremental capital cost beyond the planned 16,400 tonnes per annum, and will be advanced if the current drilling program validates a brine body extension and a potentially economic resource. Orocobre has been producing battery grade lithium carbonate at its Olaroz pilot plant since early 2011. Further information and mapping of the Salar de Cauchari resource areas is available in Orocobre's 9 September, 2011 news release.

## **Corporate**

### *Appointment of Vice-President of Corporate Development*

In late July, the Company announced the appointment of Mr. Bruce Rose as Vice President, Corporate Development. In this role, Mr. Rose will have overall responsibility for Orocobre's corporate development initiatives and communications with a particular emphasis on investor relations. He is based in Vancouver, British Columbia.

### *Cash Position*

At the end of the quarter, the company had a strong cash position of A\$34.2m.

Paul Crawford  
Company Secretary

### **For more information please contact:**

#### **Australia and Asia**

Richard Seville  
Managing Director  
Orocobre Limited  
M +61 419 916 338

Rachel Cooper  
FTI Consulting  
T: +61 8 9386 1233  
M: +61 412 349 345  
E: [rachel.cooper@fticonsulting.com](mailto:rachel.cooper@fticonsulting.com)

#### **North America**

Bruce Rose  
VP- Corporate Development  
Orocobre Limited  
M + 1 (604) 377 1423  
E: [brose@orocobre.com](mailto:brose@orocobre.com)

Jessica Wagner  
FTI Consulting  
T: +1 (312) 861 4707  
M: +1 (646) 258 7439  
E: [Jessica.wagner@fd.com](mailto:Jessica.wagner@fd.com)

## **About Orocobre Limited**

Orocobre Limited is listed on the Australian Securities Exchange (ASX: ORE) and the Toronto Stock Exchange (TSX: ORL), and is the leading lithium-potash developer in the lithium and potassium rich Puna region of Argentina. For further information, please visit [www.orocobre.com](http://www.orocobre.com).

## **Technical Information, Competent Persons' and Qualified Persons Statements**

*The technical information in this announcement has been reviewed and approved the content of this news release by Mr. Neil Stuart. Neil Stuart is a geologist and is a Fellow of The Australasian Institution of Mining and Metallurgy. Neil has sufficient relevant experience to qualify as a competent person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. He is also a "Qualified Person" as defined in NI 43-101.*

*Additional information relating to the Company's projects is available in "Technical Report – Salar de Olaroz Lithium-Potash Project, Argentina" dated May 30, 2011, (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 Toyota 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, 2011 filed at [www.sedar.com](http://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.*