

OROCOBRE LIMITED

ABN 31 112 589 910

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

Competent Person's Statement:

The information in this report that relates to Exploration Results and Mineral Resources is based on information prepared by or under the supervision of Mr Richard Seville who is a member of the Australian Institute of Mining and Metallurgy. Mr Seville is a director of Orocobre Ltd and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which they are undertaking 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", and as a "qualified person" under National Instrument 43-101 - Standards of Disclosure for Mineral Projects. Mr Seville consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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DIRECTORS' REPORT

Your Directors present their report of the Company for the financial ending 30 June, 2010.

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 16 meetings. The meetings attended by each Director were:

DIRECTORS	ELIGIBLE TO ATTEND	ATTENDED
J Calaway	16	16
Richard Seville	16	16
Neil Stuart	16	16
Jack Tan (resigned 29/6/10)	16	16
John Gibson (appointed 1/3/10)	6	6
Courtney Pratt (appointed 23/3/10)	4	4
Dan O'Neill (resigned 7/12/09)	3	3
P Crawford (resigned 31/7/09)	1	1
Fernando Oris de Roa (appointed 29/6/10)	-	-
Federico Nicolson (appointed 15/09/10)	-	-

Directors have been in office since the start of the financial year to the date of this report unless indicated otherwise. An Audit Committee and Remuneration Committee were formed in June 2010. No meetings were held prior to the end of the financial year.

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 asset assessment and acquisition, formulation of a corporate development strategy, funding and undertaking a bankable feasibility study on the Salar de Olaroz project.

The Company undertook a de-merger during the year whereby the gold/copper exploration interests were transferred to Elementos Limited. The Company retained the lithium/potash exploration and evaluation interests. There was no other change in the principal activity during the year.

Review of Operations & Operating Result

The group's operating loss for the year, after applicable income tax and non-controlling interests was \$4,163,600 (2009: \$1,485,987). Group exploration and evaluation expenditure for the year totalled \$12,776,410 (2009: \$3,282,514).

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.

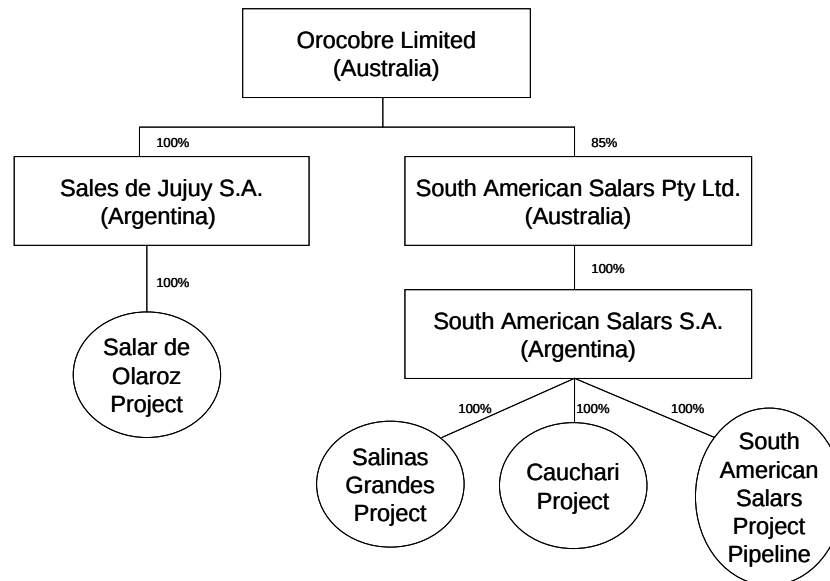
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Details on these projects are available in the NI 43-101 compliant Technical Reports available under the Company's profile on www.sedar.com and on the company's website. The Company disposed of its hard rock copper and gold targets into Elementos Ltd (ASX:ELT) during the first half.

The principal focus during the year has been advancing the Salar de Olaroz lithium-potash project through feasibility level investigations. In addition, a discovery was made of high grade lithium- and potassium at Salar de Salinas Grandes and a substantial land position was built up.



Salar de Olaroz Project

The Salar de Olaroz Project is located in the Puna region of Jujuy, approximately 230 kilometres northwest of the capital city of Jujuy at an altitude of 3900 metres above sea level.

During the previous year, the Company reported an initial resource estimate undertaken by independent resource specialists Geos Mining of Sydney, Australia of an inferred mineral resource of 350 million kl of brine at 800g/kl lithium and 6,600 g/kl potassium to an average of 55m. This is equivalent to 1.5 million tonnes of lithium carbonate and 4.4 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. After completing the resource estimate, an internal preliminary economic assessment was undertaken on the project which highlighted the potential of this resource to support a project development producing 15,000 tonnes per annum of lithium carbonate and 36,000 tonnes of potash with attractive financials. Based on this the Company made the decision to undertake a Definitive Feasibility Study on the project and this has been the principal focus of activities during the year.

The preliminary economic assessment is preliminary in nature and includes only inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. Accordingly, there is no certainty that the conclusions of the preliminary economic assessment will be realized. Although the independent qualified persons who prepared the Olaroz NI 43-101 technical report reviewed the conclusions of the preliminary economic assessment and expressed their views on such conclusions, it should be noted that the assessment was prepared by management of Orocobre and not by the qualified persons who prepared the Olaroz technical report. In addition, the preliminary economic assessment was prepared in May 2009, more than 12 months prior to the date of this report. Accordingly, the preliminary economic assessment should not be relied upon.

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During the first half, the Company considerably increased its property position at Salar de Olaroz to approximately 63,000 hectares of which approximately 21,000 hectares is prospective salt crust and salar margins. The acquisitions provide access to a road along the western side of the salar, room for infrastructure off the salar and potential access to process water supplies.

During the year, technical studies focussed on two principal areas, firstly the resource definition and hydro-geological programme and secondly the process development investigations. Due to poor recoveries in the initial 2008 coring programme, the Company decided to use sonic drilling technology which is ideally suited for the conditions at Salar De Olaroz. This required importation of the equipment from Chile by the contractor which took longer than expected. As a result, the program was delayed and did not commence until mid-way through the first half of the year. The programme involves approximately twenty holes drilled to 55m, also geophysically logged, with the objective of converting the inferred resource to measured category. To date, the programme is approximately 75% complete. Brine samples and physical samples for hydro-geological test work are taken every 1.5m. Core recovery is over 95% and data quality is excellent. Surface geophysical surveys have also been used to map the brine/freshwater interface and basin, which is modelled to be up to 650m deep.

The resource evaluation and hydro-geological programme has also included a programme of four completed, 200m deep peripheral rotary holes to assess boundary conditions outside the resource area and three by 50m pump test installations on which test work is current. In addition, the program has been expanded to include six deeper holes to 200m. Drilling commences shortly, with the objective of assessing this zone to allow an initial resource estimate.

Processing test work has advanced through the year and has established field test work facilities and pilot plant with the objective of production of marketing scale lithium carbonate product. This has included the establishment of a number of trains of evaporation ponds, lime addition equipment and solvent extraction test work equipment. The Company has been operating and growing these facilities since before the beginning of the year and is currently completing the lithium carbonate precipitation part of the circuit. Since year end, the Company appointed Sinclair Knight Merz as engineers for the Definitive Feasibility Study. The objective is to complete this in the first quarter of calendar year 2011. This is later than originally planned and resulted principally from the delays in the importation of specialist drilling equipment required by the drilling contractor.

In January 2010, the Company announced an agreement with Toyota Tsusho Corporation to, subject to the results of the Definitive Feasibility Study and various other conditions precedent, jointly develop the project. As part of the contract Toyota Tsusho is funding US\$4.5m of Definitive Feasibility Study costs and has the right to purchase a 25% interest in the project based on the net present value of the Definitive Feasibility Study subject to the procurement of a debt facility for more than 60% of the project capital.

South American Salars S.A. (85%)

South American Salars S.A. holds approximately 300,000 hectares of properties in 14 areas. These include Salar de Cangrejillo/Salinas Grandes, Guayatoyoc and Salar de Cauchari. The principal focus of the activities during the year has been building on the pre-existing land holding and undertaking preliminary geochemical assessment of the properties.

In March, the Company announced the discovery of high lithium and potash grades at its Salar de Salinas Grandes properties. The Project is located approximately 70 kilometres south-east of Salar de Olaroz. The reconnaissance investigations carried out to date are not adequate to establish a resource estimate but the data suggest that the project area is underlain by a structurally-controlled sedimentary basin that forms an aquifer probably over 2,500 km² in area, and over 400 m deep. No effective porosity determinations have yet been made on the aquifer matrix, but by analogy with similar aquifers it may be in the region of 10-20%. Surface pitting and sampling suggest that the nucleus of Salinas Grandes, covering an area of approximately 60 km² has lithium concentrations over

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2000 mg/l, reaching a maximum of 3117 mg/l. In addition potassium values of >20,000 mg /l occur over an area of approximately 40 km², and boron values >500 mg/l occur over more than 50 km².

An initial drilling programme is planned for this coming quarter with the objective of defining an inferred resource with more detailed assessment, if warranted, to commence in the second half.

Corporate Strategic Restructuring

During the year the Company "spun-out" its hard rock assets into a stand-alone company, Elementos Ltd (ASX:ELT), thus resulting in two strategically aligned companies:

- Orocobre Ltd being a Lithium-Potash focused company holding all the salar assets and with a focus on the rapid development of the Salar de Olaroz Lithium-Potash Project and other projects such as Salar de Cangejillo.
- Elementos Limited, being a copper-gold focussed new company that holds the copper assets and other gold and base metals assets acquired prior to its listing on the ASX.

Orocobre shareholders benefited by an in specie distribution of Elementos shares based on 1 Elementos share for each 4.0408888 Orocobre share then held. Elementos commenced trading on the ASX on 23 December 2009. Orocobre holds 1 million shares in Elementos.

Toronto Stock Exchange Listing

On 15 June, 2010, the Company's shares commenced trading on the Toronto Stock Exchange ("TSX") having completed a C\$20 million dollar raising at C\$2 per share (approximately A\$2.29). The Company believes that the TSX Listing offers significant benefits to Orocobre and its existing shareholders including exposure to a capital market which has 55% of the world's publicly-listed mining companies and over 200 analysts that cover such mining companies. In addition the listing will permit new Canadian, American and European shareholders to trade the stock.

Financial Position

The net assets of the Orocobre group increased to \$34,251,637 (2009: \$10,249,103) during the year to 30 June 2010, including cash balances of \$24,482,793. This increase has resulted largely from the proceeds from share issues, including the exercise of options, a placement to sophisticated investors in Australia and a placement to Canadian subscribers under a Prospectus. The value of exploration and evaluation assets carried on the balance sheet at 30 June 2010 is \$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

Non-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

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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 in other ASX listed companies: Nil

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 in other ASX listed companies: Leyshon Resources Ltd

Neil F. Stuart **MSc., FAusIMM, MMICA, MAIG**

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 in other ASX listed companies:: Bowen Energy Limited; Axiom Mining limited

Jack Tan **M. App.Fin., FIN, MAICD**

Director – Non-executive (resigned 29/6/10)

Mr Tan was appointed a director in October 2006. . He has had more than 20 years experience in the finance and stockbroking industry, including substantial capital raisings and IPOs. He is a director of his own investment company and a director of Australian Chinese Business Development Association.

Directorships held in other ASX listed companies: Overseas & General Limited

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

Non-executive Director

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 worlds 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.

Mr Gibson currently serves on the board of directors of Parker Drilling Company, a New York Stock Exchange-listed company. He holds a Bachelor or Geology Degree from Auburn University and a

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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: 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 America's largest municipally owned electricity distributor. He also served as President and subsequently as Chairman of Noranda Inc., a global diversified natural resource company headquartered in Toronto. In this capacity he served as a director of Noranda Minerals Inc., Falconbridge Ltd., Battle Mountain Gold Company, Noranda Forest Inc., (Chairman), Norcen Energy Resources Limited and Canadian Hunter Exploration Limited.

Mr Pratt 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 of 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: Nil

Fernando Oris de Roa

Masters of Public Administration

Non-Executive Director

(appointed 29 June 2010)

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: Nil

Federico Nicolson

Bachelor of Law

Non-Executive Director

(appointed 15 September 2010)

Mr Nicholson currently serves as an Executive Director of Ledesma S.A.A.I. (Ledesma), a diversified 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.

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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:: Nil

Dennis C O'Neill B Sc – Geology

Non-Executive Director (resigned 7 December 2009)

Mr O'Neill is a founding shareholder and has been a board member since incorporation. Mr. O'Neill is a member of The Australasian Institute of Mining and Metallurgy and has held positions with a number of Australian and multinational exploration companies, managing exploration programs in a diverse range of environments and locations, including North America, South-East Asia, North Africa and Australasia. He has significant corporate experience, in a number of operational management and CEO roles in ASX/AIM listed companies.

Directorships held in other ASX listed companies: DiamonEx Limited

**Paul A. Crawford B.Bus (Acctg), Grad Dip Bus Law, M.FM, CPA, Grad Dip Company
Secretarial Practice**

Non-Executive Director (resigned 31 July 2009)

Mr Crawford is a founding shareholder and has been a board member since incorporation. Mr Crawford is an accountant with 30 years of commercial experience, including various technical and management roles within the minerals, coal and petroleum industries. He has also had significant corporate experience in the management and governance of ASX listed resource and mining companies. His roles have encompassed capital raising and investor relations. He is Principal of his own corporate consultancy firm, established in 2001. Mr. Crawford is a graduate of the University of Technology, Brisbane, Central Queensland University and the University of Southern Queensland.

Directorships held in other ASX listed companies: DiamonEx Limited, ActivEX Limited

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	5,572,996	-
JW Gibson (appointed 1/3/10)	25,000	-
C Pratt (appointed 23/3/10)	-	-
F Oris de Roa(appointed 29/6/10)	-	-
F Nicolson (appointed 15/09/10)	-	-
PA Crawford (resigned 31/7/09) ¹	2,531,252	-
DC O'Neill (resigned 7/12/09) ¹	2,440,001	-
J Tan (resigned 29/6/10) ¹	2,750,000	-

¹ As at date of resignation. All directors options exercised on 14 December 2009.

Remuneration Report (audited)

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

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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 remuneration structure for executives is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the group. The Company's policy for determining the nature and amount of remuneration of board members and key executives is as follows.

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 initial consultancy agreement and then 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 \$200,000. One-third, by number, of non-executive directors retire by rotation at the Company's annual general meeting.

The Company currently does have short term and long term performance based incentive components built into director and executive employment agreements. The Company's remuneration policy provides for long-term incentives to be offered through an employee share option plan. No options have been granted under this plan to key management personnel up to the date of this report. Options were however granted in August 2007 to certain directors to align their interests with shareholders. Further details on options issued are set out in note 20 in the financial statements. 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.

In June 2010 the Board 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:

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

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2009	Short term benefits			Post	
Key Management Personnel (i)	Fees	Non-Cash Benefits	Equity Settled Options	Employment Super-annuation	Total
James D. Calaway	5,616	-	-	-	5,616
Neil F. Stuart	122,765	-	38,877	-	161,642
Richard P. Seville	257,322	-	38,877	-	296,199
Paul A. Crawford	-	-	19,439	21,800	41,239
Dennis C. O'Neill	20,000	-	19,439	1,800	41,239
Jack Tan	20,000	-	19,439	1,800	41,239
	425,703	-	136,071	25,400	587,174

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

(ii) Included in 2010 fees for Mr Seville is a \$125,000 bonus payment for achievement of operational and financial performance targets.

Subsequent to year end, Mr Federico Nicolson was appointed a director.

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

Key Management Personnel	Position held at 30 June 2010 & change during period	Contract Details	Proportion of Remuneration:		Total
			Related to performance	Not related to performance	
			Options	Salary & Fees	
JD Calaway	Non-executive Chairman	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	11.5%	88.5%	100%
NF Stuart	Non-executive Director (ceased executive role 1/1 /10)	No fixed term, termination as provided by Corporations Act	41.3%	58.7%	100%
JW Gibson	Non-executive Director (appointed 1/3/10)	No fixed term, termination as provided by Corporations Act	-	100%	100%
C Pratt	Non-executive Director (appointed 23/3/10)	No fixed term, termination as provided by Corporations Act	-	100%	100%
F Oris de Roa	Non-executive Director (appointed 29/6/10)	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%

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Key Management Personnel	Position held at 30 June 2010 & change during period	Contract Details	Proportion of Remuneration:		Total
			Related to performance	Not related to performance	
			Options	Salary & Fees	
PA Crawford	Non-executive Director (resigned 31/7/09)	No fixed term, termination as provided by Corporations Act	94.1%	5.9%	100%
DC O'Neill	Non-executive Director (resigned 7/12/09)	No fixed term, termination as provided by Corporations Act	73.7%	26.3%	100%
J Tan	Non-executive Director (resigned 29/6/10)	No fixed term, termination as provided by Corporations Act	46.2%	53.8%	100%

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

Options granted as remuneration (audited)

No options were granted as remuneration in the current year. Remuneration options granted in a prior year are summarised below.

All options vested immediately and expire within 3.33 years of granting. All options were granted for nil consideration. Details of the method of valuation of options are set out in note 20 in the financial statements.

Key Management Personnel	Vested Number	Granted Number	Grant Date	Value at Grant Date		Terms & Conditions of Grant		
				per Option (cents)	Total (\$)	Exercise price	First Exercise Date	Last Exercise Date
J D Calaway	-	-	-	-	-	-	-	-
N F Stuart	2,000,000	2,000,000	30.08.07	6.54	130,800	25 cents	31.12.09	31.12.10
R P Seville	2,000,000	2,000,000	30.08.07	6.54	130,800	25 cents	31.12.09	31.12.10
PA Crawford	1,000,000	1,000,000	30.08.07	6.54	65,400	25 cents	31.12.09	31.12.10
D C O'Neill	1,000,000	1,000,000	30.08.07	6.54	65,400	25 cents	31.12.09	31.12.10
J Tan	1,000,000	1,000,000	30.08.07	6.54	65,400	25 cents	31.12.09	31.12.10

Amounts shown as equity settled options in remuneration reflect the current year's amortised expense of options granted. The grant of the options to the Directors was intended to act as a strong incentive to align the interests of the Directors' with the Company's strategic plan focusing on seeking improved performance, the growth of the Company and better returns for shareholders.

All options have been exercised during the current year. No options lapsed or were forfeited during the year. There were no alterations to terms and conditions of any options since grant date. The options were issued by the Company with an entitlement of one ordinary share in the Company for each option at an exercise price of \$0.25. All amounts due upon exercise have been received.

Employment Contract of Managing Director (audited)

In the current year, the Managing Directors' employment has been through the use of a consultancy agreement first entered into in early 2008. A new contract for service between the Company and the Managing Director was completed in September 2010. It does not provide for a fixed term of employment but provides for annual review of the compensation value. Total remuneration value

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(excluding equity) is \$315,000 per annum. 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 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.

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.

	2007	2008	2009	2010
Exploration & evaluation expenditure (\$)	192,621	689,248	3,282,514	12,776,410
Net assets (\$)	603,718	6,143,951	10,249,103	34,251,637
Share Price at Year-end (\$)	n/a	0.48	0.59	1.70
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:

- On 17 December 2009, Orocobre spun out its hard rock copper-gold assets into its subsidiary company, Elementos Limited. Elementos was funded through its successful initial IPO, raising \$8.25 million.
- During the year, 8,250,000 options were converted to shares, raising \$2,093,750.
- In December 2009, the Company completed a rights issue raising \$6,250,000.
- In January 2010, the Company finalised an agreement with Toyota Tsusho Corporation under which Toyota Tsusho will provide US\$4.5 million towards the Olaroz Feasibility Study and other associated pre-development activities.
- Between March and June 2010, the Company issued 340,879 shares at \$1.81 as settlement for the acquisition of exploration tenements within the Salinas Grande area of interest.
- The Company has acquired an extensive portfolio of exploration and exploration tenure at Salinas Grandes and Guayotoyoc.
- During the year the Company undertook a capital return, through a pro-rata in specie distribution of 20,000,001 Elementos shares to all the holders of Orocobre ordinary shares.
- In June 2010, the Company completed a capital raising in Canada, raising \$22.9 million (C\$20 million) and subsequent listing on the Toronto Stock Exchange on the 15 June 2010.

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:-

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DIRECTORS' REPORT

Grant Date	Expiry Date	Exercise Price	No. Under Option
1 August 2008	31 July 2011	\$0.375	525,000
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, 8,250,000 ordinary shares in the Company were issued on the exercise of options. This is made up of:

- 7,000,000 directors' incentive options granted on 30 August 2007, exercised at \$0.25;
- 1,000,000 options granted on 26 November 2007, exercised at \$0.25; and
- 250,000 employee options granted on 20 August, 2008, exercised at \$0.375.

No amounts are unpaid on the shares.

No other options have been exercised to the date of this report.

During the year the Company exercised its options to acquire further shares in its subsidiary South American Salar Minerals Pty Ltd, lifting its holding to 85%. 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

Since the end of the financial year, the Company has issued 835,000 options to acquire shares in the Company. Options are exercisable at \$2.03 with expiry dates between 30 June 2013 and 30 June 2015.

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.

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.

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DIRECTORS' REPORT

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:

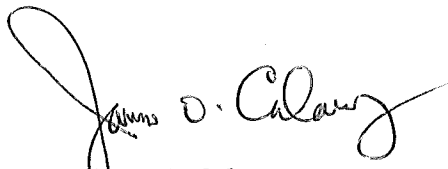
- all non-audit services are reviewed and approved by the board of directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in 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 auditor \$62,000 for due diligence services relating to the capital reduction in March 2010 and the Canadian capital raising and Toronto Stock Exchange listing in June 2010, undertaken by the Company. In addition the auditor of a subsidiary company was paid \$10,000 for an accounting compliance review.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2010 has been received and is attached to the Directors' report.

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



James D Calaway
Chairman



Richard P Seville
Managing Director

Signed: 28 September 2010
Brisbane, Queensland

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 2010, 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: 28 September 2010

OROCOBRE LIMITED

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STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2010

		Economic Entity	
	Note	2010	2009
		\$	\$
Revenue	2	180,537	229,928
Recovery of de-merger costs		530,000	-
Less expenses:	3		
Corporate & administrative expenses		(3,895,090)	(1,076,863)
Occupancy costs		(129,334)	(50,035)
Exploration & evaluation expenditure expensed		(34,281)	(176,317)
Capitalised exploration & evaluation expenditure written off		-	(230,757)
Foreign currency gain/(loss)		(887,683)	(197,258)
Loss before income tax expense		(4,235,851)	(1,501,302)
Income tax expense	4	-	-
Loss for the year from continuing operations		(4,235,851)	(1,501,302)
Profit from discontinued operations		33,863	-
Loss for the period		(4,201,988)	(1,501,302)
Other Comprehensive income			
Translation of foreign controlled entities		(92,882)	(335,160)
Net gain on revaluation of financial assets		3,280,000	-
Other Comprehensive income for the period, net of tax		3,187,118	(335,160)
Total comprehensive income (loss) for the period		(1,014,870)	(1,836,462)
Loss attributable to:			
Members of the parent entity		(4,163,600)	(1,485,987)
Non-controlling interest		(38,388)	(15,315)
		(4,201,988)	(1,501,302)
Total Comprehensive income (loss) attributable to:			
Members of the parent entity		(976,482)	(1,821,147)
Non-Controlling interest		(38,388)	(15,315)
		(1,014,870)	(1,836,462)
Basic earnings per share (cents per share)	19	(5.56)	(2.80)
Diluted earnings per share (cents per share)	19	(5.56)	(2.80)
Dividends per share (cents per share)		-	-

The accompanying notes form part of these financial statements.

OROCOBRE LIMITED

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STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Note	Economic Entity	
		2010	2009
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	7	24,482,793	6,924,207
Trade and other receivables	8	277,771	47,765
Other	9	309,431	47,305
Total Current Assets		25,069,995	7,019,277
NON-CURRENT ASSETS			
Financial assets	10	130,000	-
Property, plant and equipment	11	200,938	77,268
Exploration and evaluation asset	12	15,376,489	3,419,127
Total Non-Current Assets		15,707,427	3,496,395
TOTAL ASSETS		40,777,422	10,515,672
CURRENT LIABILITIES			
Trade and other payables	13	6,525,785	266,569
Total Current Liabilities		6,525,785	266,569
TOTAL LIABILITIES		6,525,785	266,569
NET ASSETS		34,251,637	10,249,103
EQUITY			
Issued Capital	14	40,954,552	12,055,613
Reserves	15	(542,326)	(20,909)
Accumulated losses		(6,530,887)	(2,194,287)
Parent interest		33,881,339	9,840,417
Non controlling interest		370,298	408,686
TOTAL EQUITY		34,251,637	10,249,103

The accompanying notes form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2010

	Note	Share Capital	Accumulate d Losses	Option Reserve	Foreign Currency Translation Reserve	Financial Assets Reserve	Non controlling Interests	Total
		\$	\$	\$	\$	\$	\$	\$
Economic Entity								
Balance at 1 July 2008		6,695,577	(708,300)	182,460	(25,786)	-	-	6,143,951
Loss attributable to members of the company		-	(1,485,987)	-	-	-	-	(1,485,987)
Loss attributable to non controlling interests		-	-	-	-	-	(15,315)	(15,315)
Other comprehensive income for the period		-	-	-	(335,160)	-	-	(335,160)
Total comprehensive income (loss)		-	(1,485,987)	-	(335,160)	-	(15,315)	(1,836,462)
Shares issued during the period	14	5,547,779	-	-	-	-	-	5,547,779
Transaction costs		(211,493)	-	-	-	-	-	(211,493)
Non controlling interest in controlled entity		-	-	-	-	-	424,001	424,001
Options expensed during the period	14	-	-	181,327	-	-	-	181,327
Options exercised during the period	14	23,750	-	(23,750)	-	-	-	-
Balance at 30 June 2009		12,055,613	(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:	14							
Capital return		(827,000)	(3,573,000)	-	-	-	-	(4,400,000)
Transfer of reserve		-	3,400,000	-	-	(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

The accompanying notes form part of these financial statements.

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STATEMENT OF CASH FLOWS

for the year ended 30 June 2010

	Note	Economic Entity	
		2010	2009
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(4,145,547)	(1,101,330)
Interest received		180,537	229,928
Recover of de-merger costs		280,000	-
Net cash provided by (used in) operating activities	16	(3,685,010)	(871,402)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capitalised exploration expenditure	12	(12,181,892)	(2,644,247)
Purchase of property, plant and equipment	11	(199,267)	(69,732)
Investment in controlled entity	10	-	-
Advance to controlled entity		-	-
Net cash provided by (used in) investing activities		(12,381,159)	(2,713,979)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	14	31,238,949	5,487,429
Costs associated with share issue	14	(2,620,197)	(211,493)
Funds provided under joint venture agreement		5,171,370	
Net cash provided by (used in) financing activities		33,790,122	5,275,936
Net increase in cash held		17,723,953	1,690,555
Cash and cash equivalents at beginning of period		6,924,207	5,241,828
Effect of exchange rates on cash holdings in foreign currencies		(165,367)	(8,176)
Cash at end of year	7	24,482,793	6,924,207

The accompanying notes form part of these financial statements.

OROCOBRE LIMITED

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Notes to the Financial Statements for the year ended 30 June 2010

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 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 is included in Note 24.

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 Orocobre Limited has the power to govern the financial and operating policies of 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 and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

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Notes to the Financial Statements for the year ended 30 June 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

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 the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, 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, based on tax rates enacted or substantively enacted at reporting date. 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.

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.

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.

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Notes to the Financial Statements for the year ended 30 June 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The economic entity currently has no obligation for any restoration costs in relation to discontinued operations, nor is it currently liable for any future restoration costs in relation to current areas of interest. Consequently, no provision for restoration has been deemed necessary.

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 that are delivered within timeframes established by marketplace convention.

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.

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Notes to the Financial Statements for the year ended 30 June 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) 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
- (d) 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.

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.

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.

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Notes to the Financial Statements for the year ended 30 June 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (net of tax) arising on the issue of ordinary shares are recognised in equity as a reduction of the share proceeds received.

Equity Settled Payments

The group operates equity-settled share-based payments to directors 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 expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using 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, 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.

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Notes to the Financial Statements for the year ended 30 June 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

Adoption of New and Revised Accounting Standards

During the current year the Company adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the Company.

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Notes to the Financial Statements for the year ended 30 June 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 8: Operating Segments

In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting.

AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance.

Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

As the Company operates in a single segment, the adoption of the 'management approach' to segment reporting has had no impact.

AASB 101: Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Company's financial statements.

Disclosure impact:

Terminology changes — The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity — The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income — The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Company's financial statements contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

New Accounting Standards for Application in Future Periods

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The company has decided against early adoption of these standards.

The following standards and amendments to standards have been identified as those which may impact on the company in the period of initial application:

AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

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Notes to the Financial Statements for the year ended 30 June 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Company has not yet determined the potential impact on the financial statements. The 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; and
- reclassifying financial assets 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.

AASB 2009-4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Company.

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 International Financial Reporting Standards 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. These amendments are not expected to impact the Company.

AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Company.

AASB 2009-8: Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in interpretation 8 and Interpretation 11 and as a consequence, these Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

OROCOBRE LIMITED

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Notes to the Financial Statements for the year ended 30 June 2010

	Economic Entity	
	2010	2009
	\$	\$

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 January 2010).

This interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

NOTE 2: REVENUE AND OTHER INCOME

Operating activities:

Interest received from other persons	180,537	229,928
Recovery of de-merger costs (note 10)	530,000	-
Profit on disposal of discontinued operation (a)	33,863	-

- (a) As set out in note 10, the economic entity disposed of its Santo Domingo exploration tenements. These tenements represented all of the consolidated entity's gold/copper exploration tenements, and have been treated as a discontinued operation in these financial statements.

This profit has been calculated as the difference between the consideration received, and the carrying value of the tenements plus the transfer of \$76,990 from foreign currency translation reserve (the amount of the reserve which relates to the tenements disposed).

NOTE 3: PROFIT/(LOSS) FOR THE YEAR

Included in expenses are the following items:

Exploration expenditure expensed during year	34,281	176,317
Capitalised exploration & evaluation expenditure written-off	-	230,757
Depreciation & amortisation	31,943	20,248
Rental expense on operating lease	71,620	-
Foreign currency translation losses	887,683	197,258
Employee benefits expense comprises:		
Short term benefits	1,556,047	817,900
Contributions to defined contribution plans	43,661	25,400
Share based payments	238,415	152,171
Less capitalised as exploration expenditure	(722,991)	(850,592)
	1,115,132	144,879

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Notes to the Financial Statements for the year ended 30 June 2010

	Economic Entity	
	2010	2009
	\$	\$
NOTE 4: INCOME TAX EXPENSE		
The prima facie tax on the operating loss is reconciled to income tax expense as follows:		
Prima facie tax payable/ (benefit) on loss from ordinary activities before income tax at 30% (2009: 30%).	(1,270,755)	(450,391)
Adjust for tax effect of:		
Non-deductible amounts	(112,888)	54,537
Tax losses and temporary differences not brought to account	1,383,643	395,854
Income tax expense/ (benefit) attributable to entity	-	-
Weighted average effective tax rate	0.00%	0.00%

The economic entity has unconfirmed carry forward losses of approximately \$22,000,000 (2009: \$5,700,000). The majority of these losses relate to exploration expenditure being presently deductible for tax purposes.

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

Temporary differences (comprising exploration expenditure, provisions and other items)	(4,487,492)	(997,959)
Tax losses	6,597,727	1,724,550
Net unbooked deferred tax asset	2,110,235	726,591

NOTE 5: 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 - Non-Executive Chairman
Richard P. Seville	Director - Executive
Neil F. Stuart	Director - Non-Executive
Paul A. Crawford	Director - Non-Executive (resigned 31 July 2009)
Dennis C. O'Neill	Director - Non-Executive (resigned 7 December 2009)
John W. Gibson	Director - Non-Executive (appointed 1 March 2010)
Courtney Pratt	Director - Non-Executive (appointed 23 March 2010)
Jack Tan	Director - Non-Executive (resigned 29 June 2010)
Ferando Oris de Roa	Director - Non-Executive (appointed 29 June 2010)

Since 30 June 2010 changes in key management personnel have been:

Mr Federico Nicolson was appointed a director on 15 September 2010.

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

(b) Key Management Personnel Compensation

Short-term employee benefits	658,311	425,703
Post-employment benefits	17,212	25,400
Other long-term benefits	-	-
Share-based payments	204,668	136,071
	880,191	587,174

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

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Notes to the Financial Statements for the year ended 30 June 2010

Economic Entity
2010 2009
\$ \$

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION & EQUITY (continued)

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

	No.	No.	No.	No.	No.
2010	Opening Balance	Conversion of Options	Compensation	Purchased / (Sold)	Balance 30 June 2010
Directors:					
James D. Calaway	7,650,000	-	-	550,000	8,200,000
Neil F. Stuart	3,852,996	2,000,000	-	(300,000)	5,552,996
Richard P. Seville	2,821,500	2,000,000	-	-	4,821,500
Dennis C. O'Neill (at resignation)	1,440,001	1,000,000	-	-	2,440,001
Jack Tan	2,250,000	1,000,000	-	(500,000)	2,750,000
John W. Gibson	-	-	-	25,000	25,000
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
2009	Opening Balance	Conversion of Options	Compensation	Purchased / (Sold)	Balance 30 June 2009
James D. Calaway	-	-	-	7,650,000	7,650,000
Neil F. Stuart	3,424,885	-	-	428,111	3,852,996
Richard P. Seville	2,500,000	-	-	321,500	2,821,500
Paul A. Crawford	2,250,001	-	-	281,251	2,531,252
Dennis C. O'Neill	1,500,001	-	-	(60,000)	1,440,001
Jack Tan	2,000,000	-	-	250,000	2,250,000
Total	11,674,887	-	-	8,870,862	20,545,749

(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)

2010	Opening Balance	Converted	Compensation	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)	-	-	-

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Notes to the Financial Statements for the year ended 30 June 2010

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION & EQUITY (continued)

2009	Opening Balance	Converted	Compensation	Purchased / (Sold)	Balance 30 June 2009
James D. Calaway	-	-	-	-	-
Neil F. Stuart	2,000,000	-	-	-	2,000,000
Richard P. Seville	2,000,000	-	-	-	2,000,000
Paul A. Crawford	1,000,000	-	-	-	1,000,000
Dennis C. O'Neill	1,000,000	-	-	-	1,000,000
Jack Tan	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.

(e) Shares Issued on Exercise of Compensation Options

As shown in the tables above, key management personnel exercised all their options in the financial year to 30 June 2010. There are no amounts unpaid on the shares issued as a result of the exercise of the options.

NOTE 6: AUDITORS' REMUNERATION

Remuneration of the auditor of the parent entity for:

- auditing or reviewing the financial report	27,800	18,200
- other services (due diligence)	62,000	11,350
	<u>89,800</u>	<u>29,550</u>

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

Remuneration of other auditors of subsidiaries for:

- auditing or reviewing the financial report	10,000	-
- other services (accounting compliance)	10,000	-
	<u>20,000</u>	<u>-</u>

NOTE 7: CASH AND CASH EQUIVALENTS

Cash at bank and on hand	1,260,185	4,834,207
Short term deposits	23,222,608	2,090,000
	<u>24,482,793</u>	<u>6,924,207</u>

The effective interest rate on short term deposits was 4.9% (2009: 3.8%). Deposits have an average maturity of 45 days.

NOTE 8: TRADE AND OTHER RECEIVABLES

Current:

Other receivables	277,771	47,765
	<u>277,771</u>	<u>47,765</u>

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.

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Notes to the Financial Statements for the year ended 30 June 2010

	Economic Entity	
	2010	2009
	\$	\$

NOTE 8: TRADE AND OTHER RECEIVABLES (continued)

Credit Risk – Trade and Other Receivables

The Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

NOTE 9: OTHER ASSETS

Current:

Prepayments	309,431	47,305
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NOTE 10: FINANCIAL ASSETS

Available for sale financial assets

Non-current - Shares in listed entity (a)	130,000	-
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- (a) During the period to 30 June 2010 the parent entity incorporated a wholly owned subsidiary, Elementos Limited (and its subsidiary entities). In a series of transactions the economic entity then 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 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. That transaction was approved by shareholders at a general meeting held on 23 March 2010 and allotted on 13 April 2010.

The remaining shareholding in Elementos (1,000,000 shares) is shown in the financial statements at fair value. The movement in carrying value from cost is accounted for in the financial asset reserve.

Controlled Entities

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

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

South American Salar 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.

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**Notes to the Financial Statements
for the year ended 30 June 2010**

	Economic Entity	
	2010	2009
	\$	\$
NOTE 11: PLANT AND EQUIPMENT		
Plant and equipment		
At cost	261,349	97,391
Accumulated depreciation	(60,411)	(20,123)
Total plant and equipment	200,938	77,268
Reconciliation of the carrying amounts for property, plant and equipment is set out below:		
Balance at the beginning of year	77,268	38,105
Additions	199,267	69,732
Disposals	(13,277)	-
Depreciation expense	(31,943)	(20,248)
Foreign currency translation movement	(30,377)	(10,321)
Carrying amount at the end of year	200,938	77,268

NOTE 12: EXPLORATION AND EVALUATION ASSET

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

Exploration and evaluation phase - at cost	15,376,489	3,419,127
Movement in exploration and evaluation asset:		
Opening balance - at cost	3,419,127	853,077
Capitalised exploration expenditure	12,776,410	3,282,514
Sale of exploration tenements	(889,147)	-
Exploration expenditure written-off - prior years	-	(230,757)
Exploration expenditure written-off - current year	(34,281)	(176,317)
Foreign currency translation movement	104,380	(309,390)
Carrying amount at the end of year	15,376,489	3,419,127

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 \$560,237 (2009: \$461,950) settled by way of share issue (note 14).

NOTE 13: TRADE AND OTHER PAYABLES**Current:**

Sundry payables and accrued expenses	1,271,396	153,191
Joint venture contributions received (a)	5,171,370	-
Short term employee benefits	26,354	-
Payable to related entities	56,665	113,378
Total trade & other payables (unsecured)	6,525,785	266,569

OROCOBRE LIMITED

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Notes to the Financial Statements for the year ended 30 June 2010

	Economic Entity	
	2010	2009
	\$	\$

NOTE 13: TRADE AND OTHER PAYABLES (continued)

- (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 will provide 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 \$5,171,370 form part of the US\$4.5 million, and may be applied as consideration for TTC's equity interest in the joint venture directly or in the parent entity.

NOTE 14: ISSUED CAPITAL

Fully paid ordinary shares	40,954,552	12,055,613
Ordinary shares	No.	No.
Balance at the beginning of the reporting period	66,795,085	52,199,187
Shares issued during the year:		
Previous financial year	-	14,595,898
9 December 2009- Option exercise at \$0.25	7,000,000	-
11 December 2009 - Placement at \$1.10	5,681,818	-
9 February 2010- Option exercise at \$0.25	300,000	-
1 March 2010- Option exercise at \$0.25	700,000	-
12 March 2010- Option exercise at \$0.375	250,000	-
18 March 2010- Tenement acquisition at \$1.81	90,879	-
3 June 2010- Tenement acquisition at \$1.81	218,644	-
10 June 2010- Canadian prospectus at \$2.29	10,000,000	-
Balance at reporting date	91,036,426	66,795,085

Capital raised during the year totalled \$31,799,186 (2009: \$5,547,779) less \$2,620,197 (2009: \$211,493) 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.

Options	No. of Options	No. of Options
Unlisted Share Options	525,000	8,000,000
Balance at the beginning of the reporting period	8,775,000	8,000,000
Options issued during the year	-	1,025,000
Exercise of options during the year	(8,250,000)	(250,000)
Balance at reporting date	525,000	8,775,000

- (a) 7,000,000 options were granted in August 2007 and 1,000,000 in November 2007, exercisable at \$0.25 each, expiring 31 December 2010. All options have been exercised.

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Notes to the Financial Statements for the year ended 30 June 2010

	Economic Entity	
	2010	2009
	\$	\$

NOTE 14: ISSUED CAPITAL (continued)

1,025,000 options were granted to Argentine employees and consultants in August 2008. Options are exercisable at \$0.375, expiring 31 July 2011. 500,000 of these options have been exercised. Refer to Note 20 for details of share based payments.

The amount expensed during the period in relation to all options is \$238,415 (2009: \$181,327). This amount has been credited to the Option Reserve. See note 20 for other details on these compensation options.

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 in the current year, by joint venture. No dividend will be paid while the group is in exploration stage. In the current year the company has raised significant amounts of capital and entered into a joint venture arrangement. Additionally, the company has completed a de-merger and capital reduction. There are no externally imposed capital requirements. Other than these matters, 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 has been 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 to directors and others 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

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

Loss from ordinary activities after income tax	(4,201,988)	(1,501,302)
Non-cash flows in loss from ordinary activities:		
Options expense	238,415	181,327
Share based payments	-	22,400
Depreciation	31,943	20,248
Write-off of exploration & evaluation expenditure	-	230,757
Sale of assets	(33,863)	-
Non-cash de-merger receipt	(250,000)	-

OROCOBRE LIMITED

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Notes to the Financial Statements for the year ended 30 June 2010

	Economic Entity	
	2010	2009
	\$	\$
NOTE 16: CASH FLOW INFORMATION (continued)		
Changes in operating assets and liabilities:		
(Increase)/Decrease in receivables	(246,481)	59,705
(Decrease)/Increase in payables	1,082,271	165,965
(Increase)/Decrease in prepayments	(305,307)	(50,502)
Cash flows from operations	(3,685,010)	(871,402)

Non-cash Financing and Investing Activities

Share Issues:

During the year 309,523 shares were issued, representing \$560,237 under a mineral tenement acquisition agreement.

As set out in note 10(a) 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.

During the 2009 financial year, 165,000 shares were issued, representing \$37,950 in part settlement of option payments due under the Salar Olaroz acquisition agreement.

During the 2009 financial year, 67,000 shares were issued, representing \$22,400 for services provided to the group or to be provided by a number of consultants in Argentina.

During the 2009 financial year the consolidated group acquired an interest in a mineral tenement in Argentina for \$424,000 through the issue of shares in South American Salar Minerals Pty Ltd.

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 5.

During the year, the parent entity engaged Cambridge Business & Corporate Services, an entity controlled by Mr Crawford, a former director 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 \$136,450 (2009: \$ 62,200). At balance date an amount of \$51,425 (2009: \$9,900) was owing.

During the year, the parent entity engaged 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. At balance date an amount of \$5,240 was owing (2009:\$7,666). These services are shown as remuneration in note 5.

During the year, the parent entity engaged Richard Seville & Associates Pty Ltd, an entity controlled by Mr Seville, a director of the parent entity, to provide technical services to the parent entity. At balance date no amount (2009: \$70,230) was owing. These services are shown as remuneration in note 5.

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 \$199,766 (2009: \$35,460). At balance date no amount was owing (2009: nil).

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Notes to the Financial Statements for the year ended 30 June 2010

Economic Entity	
2010	2009
\$	\$

NOTE 17 RELATED PARTY TRANSACTIONS (continued)

Other related parties

As set out note 10, Elementos limited was established to acquire certain assets from the Orocobre group of companies. Transactions with Elementos Group in the period were:

The issue of 20,000,000 full 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. Cost reimbursements of \$30,000 remain recoverable at reporting date.

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 \$23,636 (2009: \$25,000) was paid under this agreement. No amount was owing at balance date.

During the year, the company was party to a sub-tenancy agreement with Elementos Limited. A total of \$38,993 was received under this agreement.

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.

Not later than 1 year	2,346,828	273,452
Later than 1 year but not later than 5 years	5,430,392	1,955,472
Total commitment	<u>7,777,220</u>	<u>2,228,924</u>

Operating Lease Commitments

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

Not later than 1 year	105,420	-
Later than 1 year but not later than 5 years	100,984	-
Total commitment	<u>206,404</u>	<u>-</u>

The property lease is a non-cancellable lease with a three-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by the greater of CPI or 4% per annum.

Contingencies

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

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**Notes to the Financial Statements
for the year ended 30 June 2010**

	Economic Entity	
	2010	2009
	\$	\$
NOTE 19: EARNINGS PER SHARE		
Loss for the financial year	4,201,988	1,501,302
Exclude non-controlling interest	(38,388)	(15,315)
Net loss used in the calculation of basic and dilutive EPS	<u>4,163,600</u>	<u>1,485,987</u>
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	74,830,428	53,066,031
Weighted average number of options outstanding	-	-
Weighted average number of ordinary shares outstanding during the period used in the calculation of dilutive EPS	<u>74,830,428</u>	<u>53,066,031</u>

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.

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Notes to the Financial Statements for the year ended 30 June 2010

NOTE 20: SHARE BASED PAYMENTS

(a) Options

The parent entity had 8,000,000 share options on issue at the start of the year, being options issued during the 2008 financial year. 1,000,000 options were granted for IPO services rendered with an exercise price \$0.25 expiring December 2010. 7,000,000 options were granted to directors of the company, on shareholder approval, with an exercise price \$0.25 expiring December 2010. All these options have been exercised.

During the 2009 financial year 1,025,000 share options were granted pursuant to the company's Employee & Officer Share Option Plan for nil consideration. Options are exercisable at \$0.375 each and expire on 31 July 2011. During the year, 250,000 of these options were exercised.

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		2009	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	No	\$	No	\$
Outstanding at the beginning of the year	8,775,000	0.261	8,000,000	0.250
Granted	-	-	1,025,000	0.375
Forfeited	-	-	-	-
Exercised	(8,250,000)	0.257	(250,000)	0.375
Expired	-	-	-	-
Outstanding at year-end	525,000	0.375	8,775,000	0.261
Exercisable at year-end	525,000	0.375	8,775,000	0.261

At the date of exercise, the weighted average share price was \$1.22. The options outstanding at 30 June 2010 had a weighted average exercise price of \$0.375 and a weighted average remaining contractual life of 1.1 years.

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	2009	2008
Number Issued	1,025,000	8,000,000
Fair value at grant date	9.5 cents	6.54 cents
Share price	25.5 cents	6 cents
Exercise price	37.5 cents	25 cents
Expected volatility (based on comparative	66.69%	55.00%
Option life	2.95 years	3.33 years
Expected dividends	nil	nil
Risk-free interest rate	5.75%	6.25%

(b) Shares

During the 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 has been included in capitalised exploration expenditure for the year, in relation to this share based payment.

During the 2009 financial year 232,000 shares were issued to third parties as share based payments for services acquired and exploration costs incurred. The weighted average value of these shares, determined by reference to market price was \$0.26. An amount of \$37,950 was included in capitalised exploration expenditure and an amount of \$22,400 was included in the loss for the year, in relation to this share based payment.

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Notes to the Financial Statements for the year ended 30 June 2010

NOTE 21: FINANCIAL INSTRUMENTS

(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.

Treasury Risk Management

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

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

Financial Risks

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

Interest Rate Risk

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

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

Liquidity Risk

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

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

Financial instrument composition and maturity analysis:

Financial assets:

Within 6 months

- cash & cash equivalents	24,482,793	6,924,207
- receivables	277,771	47,765
	<u>24,760,564</u>	<u>6,971,972</u>

Over 5 years

- shares in listed entity	130,000	-
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Total

<u>24,890,564</u>	<u>6,971,972</u>
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Financial liabilities:

Within 6 months

- payables	6,525,785	266,569
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Net expected inflow on financial instruments within 6 months is \$18,234,779 (2009: \$6,705,403).

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. This risk is managed by natural hedge.

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Notes to the Financial Statements for the year ended 30 June 2010

NOTE 21: FINANCIAL INSTRUMENTS (continued)

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.

(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 where the carrying amount exceeds net fair values have not been written down, as the group intends to hold. The aggregate net fair values and carrying amounts of financial assets and liabilities are disclosed in the statement of

(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 +/- \$244,828 (2009: \$69,242).

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 +/- \$5,799 (2009: \$10,997).

This exposure arises from Argentine Peso bank accounts and receivables, offset by payables. Net exposure is AR\$195,596 (2009: AR\$336,909) and equivalent A\$57,988 (2009: A\$109,973).

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 +/- \$51,125 (2009: \$231,943). This exposure arises from a United States Dollar bank account. Net exposure is US\$437,969 (2009: US\$1,866,053) and equivalent A\$511,250 (2009: A\$2,317,988).

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\$2,074,260 (2009: nil). This exposure arises from a Canadian Dollar bank deposit. Net exposure is CAD18,628,752 (2009: nil) and equivalent A\$20,742,608 (2009: nil).

NOTE 22: SEGMENT REPORTING

The economic entity operates internationally, in the mineral exploration industry. The exploration focus is on lithium, potash

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.

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**Notes to the Financial Statements
for the financial year ended 30 June 2010****NOTE 22: SEGMENT REPORTING (continued)**

Geographical Information	Australia		Argentina		Economic Entity	
	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$
REVENUE						
Segment revenue	710,537	229,928	-	-	710,537	229,928
ASSETS						
Segment assets	24,490,897	6,871,145	16,286,525	3,644,527	40,777,422	10,515,672
LIABILITIES						
Segment liabilities	5,832,602	219,706	693,183	46,863	6,525,785	266,569

Segment accounting policies

Segment accounting policies are consistent with the economic entity's policies.

NOTE 23: SUBSEQUENT EVENTS

Since the end of the financial year, the company has issued 835,000 options to acquire shares in the Company. Options are exercisable at \$2.03 with expiry dates between 30 June 2013 and 30 June 2015.

There have been no significant events since balance date.

NOTE 24: PARENT ENTITY INFORMATION

The following information relates to the parent entity, Orocobre Limited at 30 June 2010. This information has been prepared using consistent accounting policies as presented in note 1.

	30 June 2010	30 June 2009
	\$	\$
Current assets	34,518,090	6,888,072
Non-current assets	7,050,611	4,201,302
Total assets	41,568,701	11,089,374
Current liabilities	5,832,602	219,706
Non-current liabilities	-	-
Total liabilities	5,832,602	219,706
Contributed equity	40,954,552	12,055,613
Reserves	(88,498)	340,037
Accumulated losses	(5,129,955)	(1,525,982)
Total equity	35,736,099	10,869,668
Loss for the year	(3,483,973)	923,670
Other comprehensive income	(120,000)	-
Total comprehensive loss for the year	(3,603,973)	923,670

NOTE 25: COMPANY DETAILS

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

OROCOBRE LIMITED

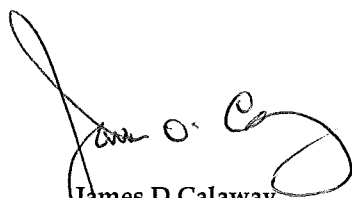
ABN 31 112 589 910

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; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its 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
Chairman



Richard P Seville
Managing Director

Dated this: 28th day of September 2010

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF OROCOBRE LIMITED

Report on the Financial Report

We have audited the accompanying financial statements of Orocobre Limited (the company), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

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 and fair presentation of the financial report 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 and the remuneration disclosures in the directors' report.

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

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*, provided to the directors of Orocobre Limited as attached to the directors' report, has not changed as at the date of this auditor's report.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF OROCOBRE LIMITED (continued)

Auditor's Opinion

In our opinion:

- a. the financial report of Orocobre Limited 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 2010 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- 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 2010. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Orocobre Limited for the year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.



Hayes Knight Audit (Qld) Pty Ltd



ND Bamford
Director

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

Date: 28 September 2010