

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE QUARTER ENDED

SEPTEMBER 30, 2010

Expressed in Australian dollars unless indicated otherwise

Introduction

The following management's discussion and analysis ("MD&A") of Orocobre Limited ("Orocobre" or the "Company") is dated November 11, 2010 and provides an analysis of the Company's performance and financial condition for the three months ended September 30, 2010 (the "Quarter").

The MD&A should be read in conjunction with the Company's June 30, 2010 audited consolidated annual financial statements and notes thereto, and the Company's unaudited interim consolidated financial statements for the Quarter. The financial statements (and the financial information contained in this MD&A) comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Additional information about the Company, including the Company's Annual Information Form for the fiscal year ended June 30, 2010, is available at www.sedar.com and on the Company's website, www.orocobre.com.

This MD&A may contain forward-looking information that is based on the Company's expectations, estimates and projections regarding its business and the economic environment in which it operates. Forward-looking information speaks only as of the date it is provided, is not a guarantee of future performance and involves risks and uncertainties that are difficult to control or predict. Examples of some of the specific risks associated with the operations of the Company are set out in this MD&A under "Cautionary Statement Regarding Forward Looking Information". See also "Risk Factors" in the Company's Annual Information Form filed at www.sedar.com. Actual outcomes and results may differ materially from those expressed in forward-looking information and readers should not place undue reliance on such statements.

All monetary amounts are stated in Australian dollars, except as otherwise stated.

Overview

Orocobre is an Australian based exploration company that has not yet commenced development or mining operations on any of its properties. Accordingly, the Company does not currently have any mining revenues.

The Company's ordinary shares (the "**Ordinary Shares**") are listed on the Toronto Stock Exchange (the "**TSX**") under the trading symbol "**ORL**" and on the Australian Securities Exchange (the "**ASX**") under the trading symbol "**ORE**".

Over the past two years, the Company has been focused on advancing its Salar de Olaroz lithium-potassium brine project (the "**Olaroz Project**") from initial exploration towards completion of a feasibility study (the "**Olaroz Feasibility Study**"). The Company is undertaking this in strategic partnership with Toyota Tsusho Corporation ("**Toyota Tsusho**") and expects to complete the Olaroz Feasibility Study in the first quarter of 2011. Assuming the Olaroz Feasibility Study recommends development and the requisite financing can be raised as contemplated through its arrangement with Toyota Tsusho, the Company expects to commence development of the Olaroz Project in 2011 (subject to regulatory approvals) and initial production in 2012. In addition to the Olaroz Project, the Company has, through its 85%-owned subsidiary, South American Salars S.A. ("**South American Salars**"), an active Puna region exploration program focused on developing a pipeline of potential future lithium and potash projects. The Company holds an 85% interest, through South American Salars, in each of the Salinas Grandes and Guayatayoc lithium-potassium brine projects (together, the "**Salinas Grandes Project**") and the Salar de Cauchari lithium-potassium brine project (the "**Cauchari Project**").

Highlights

The key highlights during the Quarter were as follows:

- Lithium Carbonate production commences at Olaroz test work facilities at the Olaroz Project;

- Brine analyses at the Olaroz Project from the resource evaluation drilling program within the area of the current inferred resource are in line with previous drilling;
- Encouraging exploration results in Rio Rosario delta area expands potential of Olaroz to the north of previous drilling;
- Orocobre appoints the internationally recognized engineering firm, Sinclair Knight Merz, to undertake the Olaroz Feasibility Study;
- Preparatory works completed at Salinas Grandes prior to drilling;
- Federico Nicholson, a highly regarded business leader in Argentina with a comprehensive understanding of building and operating successful companies in the Jujuy and Salta provinces of Argentina, appointed as a Non-executive Director.

Olaroz Project

The Olaroz Project, located in the Puna region of Jujuy Province of northern Argentina approximately 230 kilometres northwest of the capital city of Jujuy at an altitude of 3900 metres above sea level, is the Company's flagship project. The Company holds rights to properties (or to applications for properties) at the Olaroz Project covering approximately 63,000 hectares, of which approximately 21,000 hectares is prospective salt crust and salar margins.

Detailed surface sampling was commenced in March 2008 and confirmed the presence of a large exploration target for lithium and potash. Drilling commenced in September 2008.

On April 29, 2009, the Company announced an initial resource estimate for the Olaroz Project. Independent resource specialists Geos Mining reported a JORC-compliant inferred resource estimate of 350 million kL (1 kL = 1 m³) of brine at 800 g kL⁻¹ lithium and 6,600 g kL⁻¹ 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.

The Company subsequently completed an internal preliminary economic assessment in May 2009 that concluded that, subject to the current inferred resource being upgraded to measured and indicated resources of a similar size and grade, the Olaroz Project could support the development of a long life operation producing 15,000 tonnes per annum of lithium carbonate and 36,000 tonnes per annum of potash. Based on this the company made the decision to undertake the Olaroz Feasibility Study. 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 report entitled "Technical Report – Salar de Olaroz Project, Argentina" dated April 30, 2010 (the "Olaroz 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 the Company and not by the qualified persons who prepared the Olaroz 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.

During the Quarter the Company incurred expenditures of A\$3.5 million on the Olaroz Project and continued to make considerable progress on the Olaroz Feasibility Study. The Orocobre team focused on the execution of the many technical and governmental aspects of the project, while the Company's partner, Toyota Tsusho, focused on the sales and marketing assessment and the project financing plans for the Olaroz development.

Lithium carbonate production commenced during the quarter at the company's process development test work facilities at the Olaroz Project. Over the past 18 months the Company has been developing the process route for treating the Olaroz brine based on the "Silver Peak" method used at Clayton Valley, Nevada since the late 1960's. This has now resulted in the pilot plant scale production of lithium carbonate on site. This is an important milestone for the company. The next stage in the process development is to optimise the process route with the objective of providing sufficient supply of "on spec" lithium carbonate material to potential end users.

During the Quarter, the Company appointed Sinclair Knight Merz (“SKM”) as engineers for the Olaroz Feasibility Study.

SKM was chosen after an extensive selection process because of its lithium brine processing experience, direct experience in Argentina, and its recognized world class engineering design capabilities. SKM will be responsible for the engineering design, and capital and operating cost estimates, whilst Orocobre’s feasibility study team will continue to be responsible for the processing test work and the finalisation of flow sheet development as successfully undertaken over the past two years.

SKM has direct experience in engineering and construction in Argentina, having been involved in the design and construction management of FMC’s Salar de Hombre Muerto lithium operation in Argentina, and with experience at Salar de Atacama in Chile.

The Definitive Feasibility Study for the Olaroz Project is expected to be completed in the first quarter of calendar year 2011.

Salinas Grandes Project

In March 2010, the Company announced the discovery by South American Salars of what the Company believes are very attractive lithium and potassium sampling results at Salinas Grandes, located approximately 70 kilometres east – southeast of Olaroz in the Puna region of the Provinces of Jujuy and Salta, Argentina. South American Salars now holds rights to properties (or to applications for properties) covering over 120,000 hectares in and around Salinas Grandes and Guayatoyoc.

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%. The sampling showed highly concentrated levels of lithium and potassium over an area of the nucleus covering approximately 60 km² with lithium concentrations over 2000 mg l⁻¹, reaching a maximum of 3117 mg l⁻¹. In addition potassium values of greater than 20,000 mg l⁻¹ occur over an area of approximately 40 km², and boron values of greater than 500 mg l⁻¹ occur over more than 50 km². These results are considerably higher than the results produced on other salars in Argentina during regional assessments undertaken in the past.

During the Quarter, the Company incurred expenditures of A\$0.8 million on the Salinas Grandes Project. Preparatory works were undertaken for the commencement of the first drilling program at the Salinas Grandes Project, the construction of a number of ponds for evaporation test work and establishment of a meteorological station. This included the establishment of a permanent camp and the construction of roads and drill pads. Drilling commenced early November 2010.

The objective of the initial drilling is to complete an initial inferred resource estimate in the first quarter of 2011. Assuming that the inferred resource is sufficiently large, the Company expects to undertake further drilling with the objective of being able to raise the resource category to measured in 2011 with a longer term objective to further develop the resource into a lithium-potassium operation. During the Salinas Grandes development planning process, consideration will be given to possible operational synergies between the Olaroz Project and the Salinas Grandes Project.

Cauchari Project

The Group holds rights to properties (or to applications for properties) at the Cauchari Project covering just over 30,000 hectares. The majority of the tenure of the Cauchari Project has been acquired by South American Salars pursuant to the terms of the South American Salars JV and subsequently by directly lodging claims over vacant ground and consequently there are no minority interests in the tenure, no payments to be made to third parties for the tenure held, and no royalty agreements relating to the Cauchari Project.

The salar at the Cauchari Project was previously exploited for borates for many decades by miners including a local subsidiary of Rio Tinto Ltd. Although the Company does not currently anticipate developing a separate operation at the Cauchari Project, the Company will determine the value of

producing brines from its Cauchari Project and, assuming a development takes place at Olaroz, utilizing those brines at its Olaroz facilities.

No significant work was undertaken during the Quarter at the Cauchari Project.

Results of Operations

Because the Company has not yet commenced development or mining operations on any of its properties, the Company does not currently have any mining revenues. As a result, the Company has recorded losses in the Quarter and in each of its three most recently completed fiscal years. The financial performance of the Company is expected to continue to be affected by ongoing exploration activities being conducted on its properties and the potential development of the Olaroz Project and the continued exploration and assessment of the mineralization contained in the Salinas Grandes Project and the Cauchari Project. Unless and until such time as commercial production is achieved, the Company will continue to incur administrative costs and exploration and development expenditures, resulting in continuing operating losses.

The Company recorded a net loss for the quarter ended September 30, 2009 of \$1.3 million or \$0.014 per share, which was \$0.8 million higher than the net loss for the corresponding quarter in 2009. This resulted from foreign exchange losses and increased operating and management costs. The current quarter loss was \$0.3 million less than the quarter ended June, 30 2010, primarily resulting from the one-time write-off of Argentine VAT charges (A\$380,009).

Corporate and administrative expenses for the Quarter increased to A\$633,366 from A\$479,140 for the quarter ended September 30, 2009. This increase primarily resulted from increased corporate activity and expansion in Australia and Argentina in the Quarter as compared to twelve months ago.

The Company's principal source of income during the Quarter was from interest on bank deposits. Interest revenue for the Quarter was A\$101,767 compared to A\$4,780 for the quarter ended September 30, 2009, reflecting a higher level of average cash balances invested in interest-bearing short term deposits. Cashflow from financing activities was A\$76,483 for the Quarter, comprising proceeds received under the the current agreement between the Company and Toyota Tsusho dated January 20, 2010 (the "Toyota Tsusho Agreement").

Cashflow from investing activities increased from A\$1,322,182 for the quarter ended September 30, 2009 to A\$4,367,139 in the current Quarter. This increase reflects the escalation of exploration activity on the Company's projects and commencement of the Olaroz Feasibility Study.

During the Quarter, the Company incurred exploration and evaluation expenditures of \$4.1 million. Total expenditure on exploration and evaluation activities over the quarter ended September 30, 2009 was A\$1.3 million and for the quarter ended June 30, 2010 was A\$4.8 million.

Liquidity and Capital Resources

As at September 30, 2010 the Company had A\$18.6 million in cash and cash equivalents (A\$5.2 million as at June 30, 2010) and had no long-term debt obligations.

Since listing on the ASX, the Company has accessed equity capital markets as its primary source of funding to finance its activities.

The Company's plans are to complete the Olaroz Feasibility Study and, subject to a positive outcome, develop the Olaroz Project; continue the assessment of the Salinas Grandes Project and the Cauchari Project; and expand its resource base through exploration of existing ground and the acquisition of prospective new projects.

Expenditure required to complete the Olaroz Feasibility Study is expected to be funded by contributions from Toyota Tsusho pursuant to the Toyota Tsusho Agreement. Any amount required in excess of such contributions will be funded by the Company's cash reserves. The planned exploration programs on the Salinas Grandes Project and Cauchari Project will require estimated amounts of US\$5,291,000 and US\$434,000, respectively, all of which is expected to be funded from existing cash reserves. The Company's expenditures

for exploration and drilling will depend on a number of factors, including the success of the drilling or exploration program, as the case may be.

The Company also expects to use its existing cash reserves to make contemplated property acquisition payments on the Olaroz Project (US\$630,000) and on the Salinas Grandes Project (US\$1,380,433) and to satisfy general administrative costs and working capital requirements.

Further funding commitments in relation to the Olaroz Project are subject to completion of the Olaroz Feasibility Study and finalization of the terms of a joint venture operating agreement with Toyota Tsusho. The Toyota Tsusho Agreement contemplates that if a joint venture operating agreement is entered into, Toyota Tsusho would be responsible for securing a Japanese government-guaranteed low-cost debt facility for at least 60% of the Olaroz Project's development costs. Subject to provision of this facility, it is also anticipated that Toyota Tsusho would purchase a 25% equity interest in the joint venture and be responsible for 25% of the equity contributions to the project. For a further description of the Toyota Tsusho Agreement, see the Company's Annual Information Form for the year ended June 30, 2010 filed at www.sedar.com. The Company anticipates that, if a joint venture agreement with Toyota Tsusho is entered into, the financing to be provided by Toyota Tsusho would be sufficient for the Company to finance the current estimated capital cost of the Olaroz Project.

Further financing by the Company may be required in the event that there is a significant increase from the current estimate in the capital cost of the Olaroz Project (assuming a positive outcome of the Olaroz Feasibility Study) and/or the Salinas Grandes and Cauchari Projects and the advancement of any deposits identified as a result of the Company's ongoing exploration program. At this time, the quantum and timing of these potential financings cannot be estimated.

Based on the assessment of the Olaroz Project to date, the Company believes that it will be able to raise such funds. However, there can be no assurance that additional financing will be available, as and when required or, if available, that it will be on terms acceptable to the Company.

There have been no material changes in the Company's contractual obligations during the Quarter.

Outstanding Securities

As at the date of this report the Company had 91,181,996 Ordinary Shares outstanding and 1,285,000 unlisted options outstanding convertible into an equivalent number of Ordinary Shares. 450,000 of these options are exercisable at A\$0.375 prior to July 31, 2011, 435,000 are exercisable at A\$2.03 prior to June 30, 2013, and 400,000 are exercisable at A\$2.03 prior to June 30, 2015.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements as at September 30, 2010.

Transactions with Related Parties

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

During the Quarter, the Company 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 A\$53,300.

Other related parties

During the Quarter, the Company was party to a tenancy agreement with Elementos Limited. A total of \$11,980 was paid under this agreement.

Critical Accounting Estimates

Management is required to make various estimates in determining the reported amounts of assets and liabilities, revenues and expenses for each period presented and in the disclosure of commitments and contingencies.

Accounting estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable in the circumstances.

Exploration and Evaluation Expenditure

Management considers the following to be the Company's most critical accounting policy and estimate.

The Company's board of directors (the "**Board**") determines when an area of interest should be abandoned. When a decision is made that an area of interest is not commercially viable, all costs that have been capitalised in respect of the area of interest are written off. The decision of the Board is made after considering the likelihood of finding commercially viable mineral resources.

Deferred exploration and evaluation expenditure is carried in the Company's financial statements at cost as exploration and evaluation assets. The Board evaluates the estimates and judgments incorporated into the financial statements 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 Company.

The significance of this accounting estimate to the Company's financial condition and results of operations is limited to the treatment of exploration and evaluation expenditure. A change in accounting policy or assessment criteria in relation to deferring exploration and evaluation expenditure would result in a change to the total assets of the Company and would be reflected in the financial performance of the Company during the relevant period.

Changes to Accounting Estimates

There have not been any changes to the Company's critical accounting estimates during the last two fiscal years.

Changes in Accounting Policies Including Initial Adoption

There have been no significant changes in the Company's key accounting policies during the Quarter. Details of the adoption of new and revised accounting standards are provided in Note 1 to the financial statements for the quarter ended September 2010.

Financial Instruments and Other Instruments

The principal financial instruments used by the Company as at September 30, 2010 are cash, payables and receivables. As a result of the use of these financial instruments, the Company is exposed to credit risk, liquidity risk and market risk.

Credit Risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from investment securities.

The Company limits its exposure to credit risk by investing in liquid securities and only with counterparties that have an acceptable credit rating. 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 balance sheet and notes to the financial statements. In respect of the Company, credit risk also incorporates the exposure to the amount receivable from its subsidiaries. The Company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Company or any of its subsidiaries.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due.

The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and expenditures.

In the absence of operating revenue, the Company may be required to raise additional capital from time to time in order to fund its exploration activities. The decision to raise capital in the future will depend on market conditions existing at that time and the level of forecasted activities and expenditures.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, will offset the Company's income. The Company, once it enters into mineral production, will be exposed to fluctuations in mineral and mineral product prices (principally lithium concentrates and potash), fluctuations in foreign currency and interest rates in the normal course of its business operations.

The Company has not to date entered into any derivative financial instruments to hedge fluctuation in foreign currency. As described above, the Company is exposed to fluctuations in the Argentine peso, Australian dollar, US dollar and Canadian dollar. An increase or decrease in exchange rates among these currencies could significantly affect the Company's operating costs, cashflows and profits expressed in A\$.

The Company's exposure to changes in interest rates relates primarily to the Company's cash and cash equivalents. The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. The Company is, however, exposed to the effect of interest rate fluctuations on its variable rate financial instruments.

The Company does not have any material risk exposure to any single debtor or group of debtors.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The Company maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable. The Company continues to review and develop appropriate disclosure controls and procedures and internal controls over financial reporting for the nature and size of the Company's business.

Disclosure Controls and Procedures

The Company's disclosure controls and procedures ("DCP") are designed to provide reasonable assurance that all relevant information is communicated to the Company's senior management to allow timely decisions regarding disclosure. Access to material information regarding the Company is facilitated by the small size of the Company's senior management team and workforce. The Company is continuing to develop appropriate DCP for the nature and size of the Company's business.

Internal Controls over Financial Reporting

Internal controls over financial reporting ("ICFR") are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in compliance with IFRS. The Board is responsible for ensuring that management fulfills its responsibilities in this regard. The Audit Committee fulfills its role of ensuring the integrity of the reported information through its review of the interim and annual financial statements. As at September 30, 2010, the Managing Director (in his capacity as the officer of the Company performing similar functions to those of a chief executive officer) and Company Secretary (in his capacity as the officer of the Company performing similar functions to those of a chief financial officer), with participation of the Company's management, concluded that there were no material weaknesses at the end of the Quarter or changes to the Company's internal controls during the Quarter which have materially affected, or are considered to be reasonably likely to materially affect, the Company's ICFR.

Limitations of Controls and Procedures

The Company's management, including the Managing Director and Company Secretary, believe that any DCP or ICFR, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Technical Information

The information in this report that relates to exploration results and mineral resources is based on information in the technical reports entitled "Technical Report – Salar de Olaroz Project, Argentina" dated April 30, 2010 (the "**Olaroz Report**"), "Technical Report – Salinas Grandes Project" dated April 30, 2010 and "Technical Report – Salar de Cauchari Project, Argentina" dated April 30, 2010, respectively, which have each been prepared by John Houston, Consulting Hydrogeologist, together with, in the case of the Olaroz Report, Peter Ehren, Consulting Processing Engineer, in accordance with National Instrument 43-101 -Standards of Disclosure for Mineral Projects ("NI 43-101"), and which are filed under the Company's profile at www.sedar.com, except that any additional information that relates to exploration results since the preparation of these technical reports, including without limitation any information included under the section entitled "Highlights" in this report and any information relating to exploration and activities at the Company's projects during the Quarter, has been 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 the Managing Director of the Company and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is 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 NI 43-101.

Cautionary Statement Regarding Forward-Looking Information

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information may include, but is not limited to, information with respect to the future financial and operating performance of the Company, its affiliates and subsidiaries, the estimation of mineral reserves and mineral resources, realization of mineral reserves and resource estimates, costs and timing of development of the Company's projects, costs and timing of future exploration, timing and receipt of approvals, consents and permits under applicable legislation, results of future exploration and drilling and adequacy of financial resources. Forward-looking information is often characterized by words such as "plan", "expect", "budget", "target", "project", "intend", "believe", "anticipate", "estimate" and other similar words or statements that certain events or conditions "may" or "will" occur.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from those expressed or implied by such forward-looking information, including risks associated with investments in publicly listed companies, such as the Company; risks associated with general economic conditions; the risk that further funding may be required, but unavailable, for the ongoing development of the Company's projects; changes in government regulations, policies or legislation; unforeseen expenses; fluctuations in commodity prices; fluctuation in the exchange rate of the Argentine peso, the Australian dollar, the Canadian dollar or the United States dollar; litigation risk; restrictions on the repatriation of earnings by the Company's subsidiaries; conflicts of interest of certain directors of the Company; inability to effect service of process or to enforce judgments within Canada upon and against the directors and officers of the Company and certain experts; the inherent

risks and dangers of mining exploration and operations in general; risk of continued negative operating cash flow; the possibility that required permits may not be obtained; environmental risks; uncertainty in the estimation of mineral resources and mineral reserves; risks that the current inferred resource at the Olaroz Project (as defined below) will not be converted to a sufficient amount of indicated or measured resources to warrant development; general risks associated with the feasibility and development of each of the Company's projects; the risk that a definitive joint venture agreement with Toyota Tsusho Corporation may not be completed; risks that the new process being developed by the Company will take longer to develop than anticipated or that it will not be successfully developed; risks of being unable to sell production in the event of the development of a project; foreign investment risks in Argentina; changes in Argentinean laws or regulations; future actions by the Argentinean government; breach of any of the contracts through which the Company holds property rights; defects in or challenges to the Company's property interests; uninsured hazards; disruptions to the Company's supplies or service providers; reliance on key personnel; retention of key employees; absence of dividends; competition; absence of unitization or reservoir management rules; and the Company's dependence on an open border between Argentina and Chile. See "Risk Factors" in the Company's Annual Information Form filed at www.sedar.com.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of their experience and their perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. The Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable. Assumptions have been made regarding, among other things: the Company's ability to carry on its exploration and development activities, the timely receipt of required approvals, the prices of lithium and potash, the ability of the Company to operate in a safe, efficient and effective manner and the ability of the Company to obtain financing as and when required and on reasonable terms. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED

SEPTEMBER 30, 2010
(Unaudited)

The accompanying unaudited interim financial statements for the three months ended September 30, 2010 have been prepared by management and approved by the Audit Committee on behalf of the Board of Directors of the Company. All amounts are stated in Australian dollars, except as otherwise stated. The Company's auditors have not reviewed these financial statements. Readers are cautioned that these financial statements contain forward-looking information as described in the associated Management's Discussion & Analysis.

OROCOBRE LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the Quarter ended 30 September 2010 & 2009
(Expressed in Australian dollars)

	Three months ended September 30, 2010 \$ (Unaudited)	Three months ended September 30, 2009 \$ (Unaudited)
Revenue	101,767	4,780
Less expenses:		
Corporate & administrative expenses	(633,366)	(479,140)
Occupancy costs	(28,793)	(32,932)
Exploration & evaluation expenditure expensed	(34,281)	(44,773)
Foreign currency gain/(loss)	(720,134)	-
Loss before income tax expense	(1,313,807)	(552,065)
Income tax expense	-	-
Loss for the year from continuing operations	(1,313,807)	(552,065)
Profit from discontinued operations	-	-
Loss for the period	(1,313,807)	(552,065)
Other Comprehensive income		
Translation of foreign controlled entities	(1,649,104)	(213,675)
Other Comprehensive income for the period, net of tax	(1,649,104)	(213,675)
Total comprehensive income (loss) for the period	(2,962,910)	(765,740)
Loss attributable to:		
Members of the parent entity	(1,298,709)	(548,930)
Non-controlling interest	(15,087)	(3,135)
	(1,313,807)	(552,065)
Total Comprehensive income (loss) attributable to:		
Members of the parent entity	(2,947,813)	(762,605)
Non-Controlling interest	(15,097)	(3,135)
	(2,962,910)	(765,740)
Basic earnings per share (cents per share)	(1.43)	(0.83)

OROCOBRE LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in Australian dollars)

	Note	September 30, 2010 \$ (Unaudited)	June 30, 2010 \$ (Audited)
CURRENT ASSETS			
Cash and cash equivalents		18,605,927	24,482,793
Trade and other receivables		260,118	277,771
Other	2	858,508	309,431
Total Current Assets		19,724,553	25,069,995
NON-CURRENT ASSETS			
Financial assets	3	130,000	130,000
Property, plant and equipment		282,885	200,938
Exploration and evaluation asset	4	18,198,982	15,376,489
Total Non-Current Assets		18,611,867	15,707,427
TOTAL ASSETS		38,336,420	40,777,422
CURRENT LIABILITIES			
Trade and other payables	5	6,843,342	6,525,785
Total Current Liabilities		6,843,342	6,525,785
TOTAL LIABILITIES		6,843,342	6,525,785
NET ASSETS		31,493,078	34,251,637
EQUITY			
Issued Capital		41,134,273	40,954,552
Reserves		(2,185,180)	(542,326)
Accumulated losses		(7,829,599)	(6,530,887)
Parent interest		31,119,494	33,881,339
Non controlling interest		355,200	370,298
TOTAL EQUITY		31,474,694	34,251,637

OROCOBRE LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Expressed in Australian dollars)

	Share Capital	Accumulated Losses	Option Reserve	Foreign Currency Translation Reserve	Financial Assets Reserve	Non controlling Interests	Total
	\$	\$	\$	\$	\$	\$	\$
12 months to 30 June 2010							
Balance at 1 July 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	31,799,186	-	-	-	-	-	31,799,186
Transaction costs	(2,620,197)	-	-	-	-	-	(2,620,197)
Capital reduction:							
Capital return	(827,000)	(3,573,000)	-	-	-	-	(4,400,000)
Transfer of reserve	-	3,400,000	-	-	(3,400,000)	-	-
Options expensed during the period	-	-	238,415	-	-	-	238,415
Options exercised during the period	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
3 months to 30 September 2010							
Loss attributable to members of the company	-	(1,298,713)	-	-	-	-	(1,298,713)
Loss attributable to non controlling interests	-	-	-	-	-	(15,097)	(15,097)
Other comprehensive income for the period	-	-	-	(1,649,104)	-	-	(1,649,104)
Total comprehensive income (loss)	-	(1,298,713)	-	(1,649,104)	-	(15,097)	(2,962,914)
Shares issued during the period	179,721	-	-	-	-	-	179,721
Transaction costs	-	-	-	-	-	-	-
Options expensed during the period	-	-	6,249	-	-	-	-
Balance at 30 September 2010	41,134,273	(7,829,599)	37,751	(2,102,932)	(120,000)	355,200	31,474,694

OROCOBRE LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
for the Quarter ended 30 September 2010 & 2009
(Expressed in Australian dollars)

	Three months ended September 30, 2010 \$	Three months ended September 30, 2009 \$
	Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(1,204,686)	(552,600)
Interest received	101,767	4,780
Net cash provided by (used in) operating activities	<u>(1,102,919)</u>	<u>(547,820)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capitalised exploration expenditure	(4,247,850)	(1,300,109)
Purchase of property, plant and equipment	(119,290)	(22,073)
Net cash provided by (used in) investing activities	<u>(4,367,139)</u>	<u>(1,322,182)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	-
Costs associated with share issue	-	-
Funds provided under joint venture agreement	76,483	-
Net cash provided by (used in) financing activities	<u>76,483</u>	<u>-</u>
Net increase in cash held	(5,393,576)	1,870,002
Cash and cash equivalents at beginning of period	24,282,793	6,925,207
Effect of exchange rates on cash holdings in foreign currencies	(283,290)	(12,088)
Cash at end of period	<u>18,605,927</u>	<u>5,043,117</u>

OROCOBRE LIMITED

Notes to the Financial Statements for the Quarter ended 30 September 2010

NOTE 1: BASIS OF PREPARATION OF INTERIM REPORT

This unaudited interim financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issuer Group Interpretations and the Corporations Act 2001.

This unaudited interim financial report does not include all the notes normally included in a full annual financial report. Accordingly, this interim unaudited financial report should be read in conjunction with the Company's audited consolidated financial statements for the year ended June 30, 2010. It is also recommended that the interim financial report be considered together with any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of applicable Canadian securities regulators and the Australian Stock Exchange Listing Rules and the Corporations Act 2001.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Orocobre Limited (the "Company" or together with its subsidiaries, the "Group") comply with International Financial Reporting Standards (IFRS).

The consolidated financial statements of the Group have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) and in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

In preparing these interim unaudited consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2010.

Adoption of New and Revised Accounting Standards

In the period to September 2010, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods commencing on or after 1 July 2010. Adoption of these revised accounting standards has no material impact on the Company's performance or asset values.

NOTE 2: OTHER ASSETS

	30 September 2010	30 June 2010
	\$	\$
Current:		
Prepayments	858,508	309,431

NOTE 3: EXPLORATION AND EVALUATION ASSET

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

Exploration and evaluation phase - at cost	18,198,982	15,376,489
Movement in exploration and evaluation asset:		
Opening balance - at cost	15,376,489	3,419,127
Capitalised exploration expenditure	4,399,446	12,776,410
Sale of exploration tenements		(889,147)
Exploration expenditure written-off - prior years	-	-
Exploration expenditure written-off - current year		(34,281)
Foreign currency translation movement	(1,577,068)	104,380
Carrying amount at the end of year	18,198,867	15,376,489

NOTE 4: TRADE AND OTHER PAYABLES

	30 September 2010	30 June 2010
	\$	\$
Current:		
Sundry payables and accrued expenses	1,505,871	1,271,396
Joint venture contributions received (a)	5,246,678	5,171,370
Short term employee benefits	34,127	26,354
Payable to related entities	56,665	56,665
Total trade & other payables (unsecured)	6,843,342	6,525,785

- (a) In January 2010, the parent entity entered into an agreement to establish a joint venture with Toyota Tsusho Corporation ("TTC"), a Toyota Group company, to develop the Olaroz Lithium-Potash Project in Argentina. Under the agreement TTC will provide US\$4.5 million 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 may be applied as consideration for TTC's equity interest in the joint venture directly or in the parent entity.

NOTE 5: ISSUED CAPITAL

	30 September 2010	30 June 2010
	\$	\$
Fully paid ordinary shares	41,134,273	12,055,613
Ordinary shares	No.	No.
Balance at the beginning of the reporting period	91,036,426	66,795,085
Shares issued during the year:		
Previous financial year	-	24,241,341
8 July 2010– Option exercise at \$0.375	20,000	-
25 August 2010– Placement at \$2.01	5,570	-
25 September 2010– Placement at \$2.16	65,000	-
25 September 2010– Option exercise at \$0.375	55,000	-
Balance at reporting date	91,181,996	91,036,426