

25 January 2012
ASX /TSX ANNOUNCEMENT

OROCOBRE ANNOUNCES RESULTS OF LONG-TERM PUMPING TESTS AT OLAROA AND 3D PRODUCTION MODEL SIMULATION

Highlights

- **A long-term pumping test, located where the proposed extraction well field will be located, has proved the feasibility of pumping at least 14 L/s from individual wells. Pumping rate was limited by pump size, not aquifer conditions.**
- **The well produced consistently high grade brine throughout the test, with average lithium concentrations of 875 ± 10 mg/L, 22% higher than the adjacent diamond drill hole used in the resource estimate that gave 717 ± 80 mg/L Li.**
- **A 3D finite difference fluid flow and solute transport model that incorporates variable density is currently being built and calibrated. The model is intended to forecast production over the length of the project life, and will be used to control the brine feed during production.**
- **Preliminary results from the model suggest that there are no unforeseen difficulties in extracting the planned initial production of 16,400 tpa lithium carbonate, with the possibility of subsequent increases in production rates.**

Orocobre Limited (ASX: ORE; TSX: ORL) (the Company or Orocobre) announces the preliminary results of a long term pumping test on the Olaroz salar ("Olaroz Project") in Jujuy Province, North West Argentina.

Orocobre Managing Director, Richard Seville, stated "With the results now available from the long term pumping test we can be confident that the proposed well field design will deliver the initial production capacity of 16,400 tpa lithium carbonate. The higher grade than anticipated, coupled with excellent flow rates, suggest the possibility of future project expansions."

The pumping test was located in the area of the proposed extraction well field and consistently produced brine with a Li concentration of 875 ± 10 mg/L over 3 months at a flow rate of 14 L/s and a drawdown in the bore of 44 m. Interpretation of the data suggest that preferential flow is taking place to the well from specific geological units where the permeability and grade are higher. The information obtained will allow these specific units to be targeted during production. The flow rate was limited by the capacity of the pump, not by the well or aquifer, so that under production conditions average well flow rates may be expected to be significantly better than the design 15 L/s.

The results from the long term pumping test, together with the data on aquifer geometry, permeability, porosity, groundwater pressures, brine compositions, as well as the water balance incorporating rainfall and surface water inputs and evaporation outputs, obtained during the earlier drilling and testing phase, are being used by company consultant Dr Noel Merrick to build and calibrate a 3D finite difference model of fluid flow and solute transport that incorporates the known variation in fluid density across the salar. The model is being built using the well known and validated USGS Modflow-Surfact version 4, which is at the cutting-edge for this task. Dr Noel Merrick is a former Associate Professor at the National Centre for Groundwater Management at the University of Technology in Sydney,

The preliminary results from the model indicate that the cone of depression resulting from the well field pumping will be limited in extent and the grade will decline only slowly over the project life, well within the capacity of the solar ponds to ensure a consistent feed to the plant. The model will be used to forecast and control production throughout the project life, as well as to investigate potential production increases.

Richard Seville, added "The confirmation of pumping well design, capacity, and brine grade together with the preliminary model results represent another important step for the company towards production at Olaroz."

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About Orocobre Limited

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

Competent Person's and Qualified Person's Statement

The work and reported in this announcement has been undertaken under the supervision of John Houston, a Chartered Geologist and Fellow of the Geological Society of London, who acts as a competent person under the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. He is also a "Qualified Person" as defined by Canadian Securities Administrators' National Instrument 43-101. John Houston consents to the inclusion in this announcement of this information in the form and context in which it appears.

Caution Regarding Forward-Looking Information

This report contains "forward-looking information" within the meaning of applicable securities legislation. Forward-looking information contained in this report may include, but is not limited to, the estimation and realization of resources at the Olaroz project, the viability, recoverability and processing of such resources, and other matters related to the development of the Olaroz project.

Such forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from those expressed or implied by such forward-looking information, including but not limited to the risk that further funding may be required, but unavailable, for the ongoing development of the Company's projects; changes in government regulations, policies or legislation; fluctuations or decreases in commodity prices; the possibility that required permits may not be obtained; uncertainty in the estimation or economic viability of mineral resources; general risks associated with the feasibility and development of the Olaroz project; unexpected capital or operating cost increases; the risk that a definitive joint venture agreement with Toyota Tsusho Corporation in respect of the Company's Olaroz project may not be completed; uncertainty of meeting anticipated program milestones; as well as those factors disclosed in the Company's Annual Information Form for the year ended June 30, 2010 filed at www.sedar.com.

The Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable. Assumptions have been made regarding, among other things: the Company's ability to carry on its exploration and development activities, the timely receipt of required approvals, the prices of lithium and potash, the ability of the Company to operate in a safe, efficient and effective manner and the ability of the Company to obtain financing as and when required and on reasonable terms. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used.

There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.