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Thursday, 28 January 2010

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VALUATION

Recommendation

Stock Price	\$2.14
1 Yr Target Price	\$2.80
Company Valuation (A\$/share)	\$4.01
Price Discount to Target Price %	31%
Market Risk	Low
Development Risk	Low

Source: MPS Research

CAPITAL STRUCTURE

ASX Code	ORE
Market Cap*	\$174m
Ordinary Shares	79.5m
Unlisted Options	1.8m

*fully diluted

Source: ORE

COMPANY DETAILS

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Source: ORE

1 YEAR PRICE CHART



Source: IRESS

Orocobre Limited

The New Force in Lithium teaming up with Toyota Group

- **Orocobre Ltd (ORE) has established a strategic JV with Toyota.**
- **JV gives off-take agreement and project financing for Olaroz.**
- **Olaroz's Project valuation is marginally enhanced but reduced dilution increases MPS ORE target from A\$2.48/share to A\$4.01/share.**
- **EPS for FY12 is 16% higher.**
- **MPS has raises its 1-Year Price Target by 75% to A\$2.80/share.**

Orocobre Ltd (ORE) has announced a strategic joint venture partnership with a Toyota Group Company, Toyota Tsusho Corporation, to develop Ore's flagship Salar de Olaroz Lithium Potash Project in Argentina. Toyota Tsusho is one of the largest trading companies in the world and is the key supplier to Toyota Group, among many other Asian companies.

The agreement will allow the two companies to develop the Salar de Olaroz project through Toyota Tsusho providing US\$4.5m to fund the completion of the Definitive Feasibility Study (DFS), which is targeted to be finalised by Q3 2010. **Toyota Tsusho will acquire a 25% equity interest in the project at a cost based on the project's DFS' NPV.**

As part of the agreement, ORE will finalise a sales off-take agreement with Toyota Tsusho for lithium and other by-products. In addition, Toyota Tsusho will secure for ORE, from the Japan Oil, Gas and Metals National Corp, a low-cost debt facility for at least 60% of the project's development costs.

Changes to MPS' Valuation

MPS believes this is an exceptional achievement for ORE as the agreement not only secures off-take and lower cost project financing, it also financially de-risks the estimated US\$107m project cost and limits shareholder dilution.

MPS estimates US\$63m will be paid to ORE as part of the 25% NPV cash payment from Toyota Tsusho, enough to cover ORE's estimated US\$32m non-debt share of the US\$107m CAPEX, this will leave ORE with US\$31m in net cash.

MPS has valued ORE at A\$310m up 10.8%, but per share this has increased by 62% to A\$4.01/share, as there is no share dilution (previous assumption of 40m shares placement) and EPS is increased to 16% to 21c for FY12 and 30c FY 13 and FY14.

The changes in MPS' valuation model reflects these lower financing costs and minimal share dilution, while the Olaroz project's production assumptions for lithium and potash output and price, operating costs and capital costs remain unchanged from the MPS's 11th January 2010 ORE Investment Research Report Update.

MPS ORE Company Valuation

Assets	27th Jan Update		11th Jan	% Change
	A\$m	A\$/share	A\$/share	
Cash*	13.0	0.16	0.09	78%
Olaroz NPV (75% ORE)	273.8	3.37	2.35***	40%
Net JV Payment**	34.3	0.42	-	0%
ELT Holding	4.4	0.05	0.05	9%
Total	325.6	4.01	2.48	62%

*+ US\$4.5m cash payment **25% NPV payment minus cash CAPEX requirement

***100% ORE project basis

ORE Upsides and Price Driver

The price driver (or upside) for ORE remains the pending results of the DFS, set to be released in Q3 2010.

MPS believes the following factors have the potential to create better project economics:

- Increased resources around the current resource area and an increase in resources at depth.
- Project output expansion due to resource upgrade.
- Improved process economics such as metal recoveries, by-product volumes, and lower operating costs.
- ORE to negotiate favourable terms on the sales off-take agreements, where it can potentially sell the lithium at a premium price (some 20% higher) than industrial-grade lithium carbonate.
- ORE to finalise Elementos in-species distribution by mid this year.

MPS believes that ORE could potentially be a corporate takeover target if it's able to increase its resource significantly, at a similar resource quality as the Olaroz resource, and emerge as a significant lithium producer early next year.

About Orocobre Limited

Orocobre Limited is an Australian Listed Company with interests in lithium-potash prospects in Argentina. Orocobre is the leading lithium-potash resource developer in the lithium and potash rich Puna Region of Argentina.

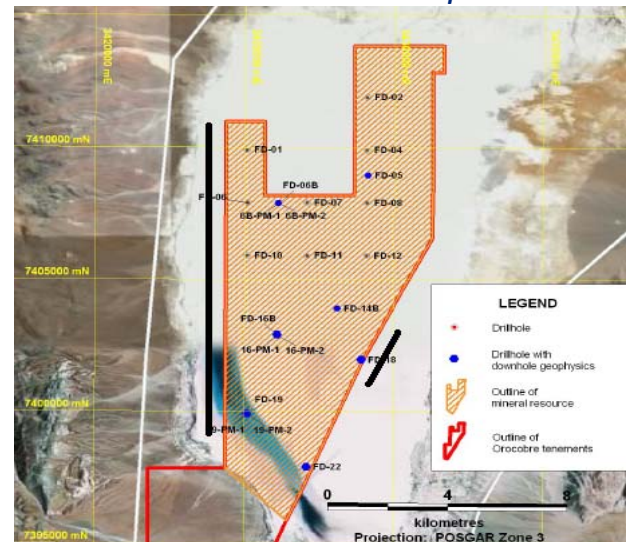
Orocobre's flagship asset is the Salar de Olaroz brine deposit and it is expected to be the next large scale, low cost lithium-potash brine resource to come into production. Orocobre expects to complete its Definitive Feasibility Study and commence initial commercial production in 2012. In addition, Orocobre is undertaking a significant Puna Region exploration program that is yielding a promising pipeline of future lithium and potash Projects.

The project is located in the Jujuy Province in the elevated and arid Puna region in the north - western part of the country and is well served by infrastructure with access by sealed road and nearby gas pipelines and rail.

Geos Mining of Sydney estimated (April 2009) an Inferred resource of 350 million kL of brine at 800g/kL lithium and 6,600g/kL potassium to a depth of 55m depth over the properties then held. This is equivalent to 1.5 million tonnes of lithium carbonate and 4.4 million tonnes of potash. Programmes being undertaken as part of Definitive Feasibility Study are expected to upgrade this resource and to Measured and Indicated categories and potentially increase its size. There is also considerable potential for significant additional mineralised brines in aquifers beneath the shallow resource on which the Definitive Feasibility Study is being undertaken.

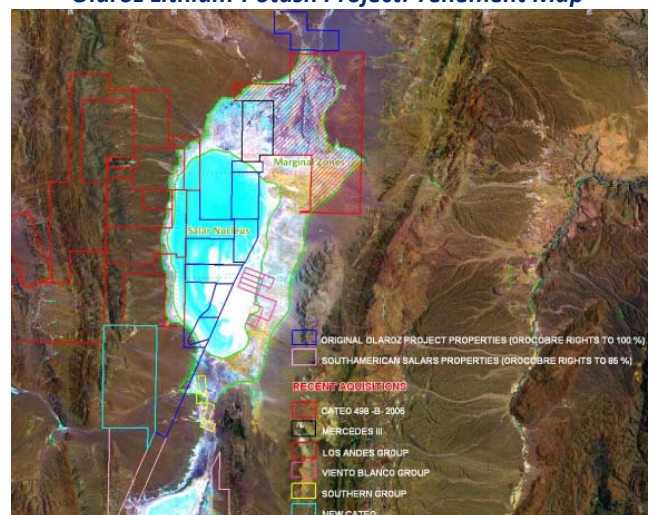
The brine chemistry is very attractive with high lithium grades, low magnesium-to-lithium ratios and beneficial sulphate levels. Scoping studies undertaken in 2009 indicate the potential to establish an operation producing 15,000 tonnes per annum of lithium carbonate and 36,000 tonnes per annum of potash, at operating costs competitive with existing low-cost brine producers.

Initial Resource Area Map



Source: ORE

Olaroz Lithium-Potash Project: Tenement Map



Source: ORE

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