

Orocobre all charged up!

- Orocobre Limited's (ORE) Salar de Olaroz project is located in the Jujuy province of the Argentinean Andes in South America. Olaroz represents a large source of lithium and potash contained in brines and early work suggests it could be competitive with the top lithium carbonate from brine producers worldwide. ORE is leveraged to the high growth lithium ion sector (hybrid car batteries) and is cheap given the qualities of its project despite its early stage. We initiate coverage with a BUY recommendation and a risked price target of \$2.06/sh.
- US\$2M Bankable Feasibility Study (BFS) due mid-2010.** The BFS is considering a production rate of 15ktpa lithium carbonate and 36ktpa potash. The May '09 Scoping Study suggested a capital cost of US\$80-100M and competitive operating costs (PSL Estimate ~US\$2,000/t). The large resource base (1.5Mt lithium carbonate and 4.4MT potash), high grades and attractive chemistry will allow conventional (low technical risk) processing routes to be used suggesting a higher production rate seems inevitable once stage 1 is bedded down.
- Off-take and financing:** Following recent deals (GXY, ARU, LYC) and strong investor interest in the sector, we speculate interested parties (possibly headed by the Chinese) may be knocking down the door to help finance the project.
- IPO of Copper-gold assets:** ORE has flagged its intention to spin out its copper-gold assets into a separately listed company with a sole copper-gold focus. We expect this to be competed in the Dec Q with an "in specie" distribution to existing shareholders likely.
- Brine vs. hard rock:** Our numbers suggest production of lithium carbonate from brines (SQM, FMC, Chemetall) with favourable chemistry have operating costs ~60% of hard rock producers (Talison Minerals) and potential producers (GXY and RDR). As a result we have a preference for the lower cost brine producers and ORE has few peers with a dearth of potential brine production not already controlled by the majors.
- Lithium & Potash:** The outlook for both lithium (electric car batteries) and potash (fertiliser) sectors is strong. On our price assumptions of US\$6,500/t for lithium carbonate and US\$700/t for potash revenue will be split 80:20 (with further credits from Boric Acid possibility at a later date).

3 September 2009

12mth Rating		BUY
Price	A\$	1.18
Target Price	A\$	2.06
12m Total Return	%	75.0

RIC: ORE.AX		BBG: ORE AU	
Shares o/s	m		57.1
Free Float	%		83.2
Market Cap.	A\$m		67.4
Net Debt (Cash)	A\$m		-6.3
Net Debt/Equity	%		na
3m Av. D. T'over	A\$m		0.12
52wk High/Low	A\$		1.26/0.15
2yr adj. beta			na

Valuation:

Methodology		DCF
Value per share	A\$	2.06

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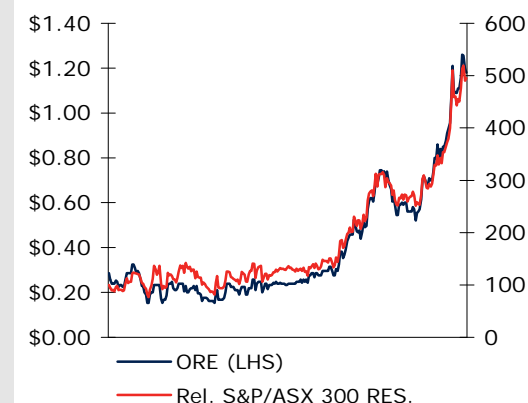
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Disclosure: Paterson's Securities Limited acted Lead Manager and Underwriter of a \$5.4M rights issue in May 2009 and is a Corporate Advisor to Orocobre Ltd. It received fees for these services.

12 Month Share Price Performance



Performance %	1mth	3mth	12mth
Absolute	50.0	86.0	383.9
Rel. S&P/ASX 300	41.3	60.9	450.1

Year End June 30	2011F	2012F	2013F	2014F	2015F
Reported NPAT (\$m)	(11.2)	(0.6)	20.0	42.5	46.5
Recurrent NPAT (\$m)	(11.2)	(0.6)	19.0	40.5	44.5
Recurrent EPS (cents)	(14.9)	(0.8)	25.1	53.6	58.9
EPS Growth (%)	na	na	na	113.4	10.0
PER (x)	(7.9)	(140.9)	4.7	2.2	2.0
PEG	na	na	na	0.0	0.2
EBITDA (\$m)	0.9	18.1	46.8	80.2	84.0
EV/EBITDA (x)	264.0	13.2	4.7	2.3	1.7
Free Cashflow	(142.0)	(2.6)	22.3	49.0	52.9
FCFPS (cents)	(187.9)	(3.4)	29.4	64.8	70.0
PFCF (x)	(0.6)	(34.8)	4.0	1.8	1.7
DPS (cents)	0.0	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0	0.0
Franking (%)	0.0	0.0	0.0	0.0	0.0

Background

ORE has 3 main project areas. All are located in Argentina.

1. **Salar de Olaroz (Lithium-Potash Salar):** Olaroz is located in north-western Argentina near the Chilean border.
2. The **South American Salar** projects are prospective for potash, borate, lithium, sodium salts and straddle the Salta and Catamarca provinces.
3. The **Santo Domingo projects** in the San Juan province are prospective for copper/gold porphyries. This group of projects will soon be spun off into its own ASX listed vehicle with dedicated management.

Figure 1: ORE Project Locations



Source: ORE

Salar Olaroz

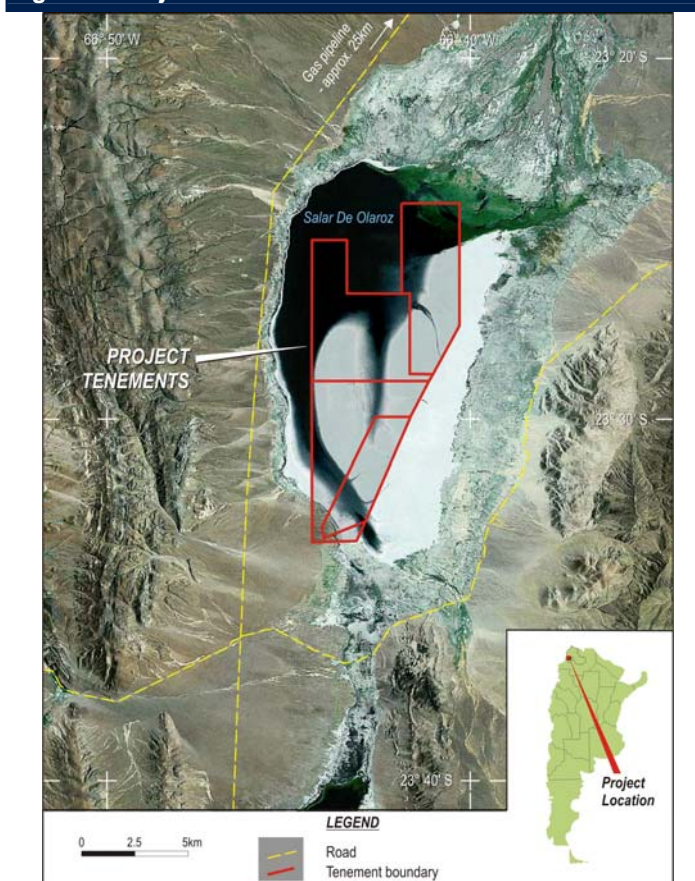
- ORE's flagship project is the Salar Olaroz in the Jujuy province of Argentina.
- Despite its location at an altitude of 3,900m high in the Andes, it is well placed for logistics and infrastructure.
 - A sealed road to the Chilean mining port of Antofagasta, 550km by road to the west, runs past the project.
 - A gas pipeline and compression station is located just 15km to the north.
 - A locally available workforce from neighbouring areas.
 - Local centres of San Salvador de Jujuy (270km east by road) and Salta City (400km east by road) offer a good level of support.

Figure 2: Location Map



Source: ORE

Figure 3: Project Tenements



Source: ORE

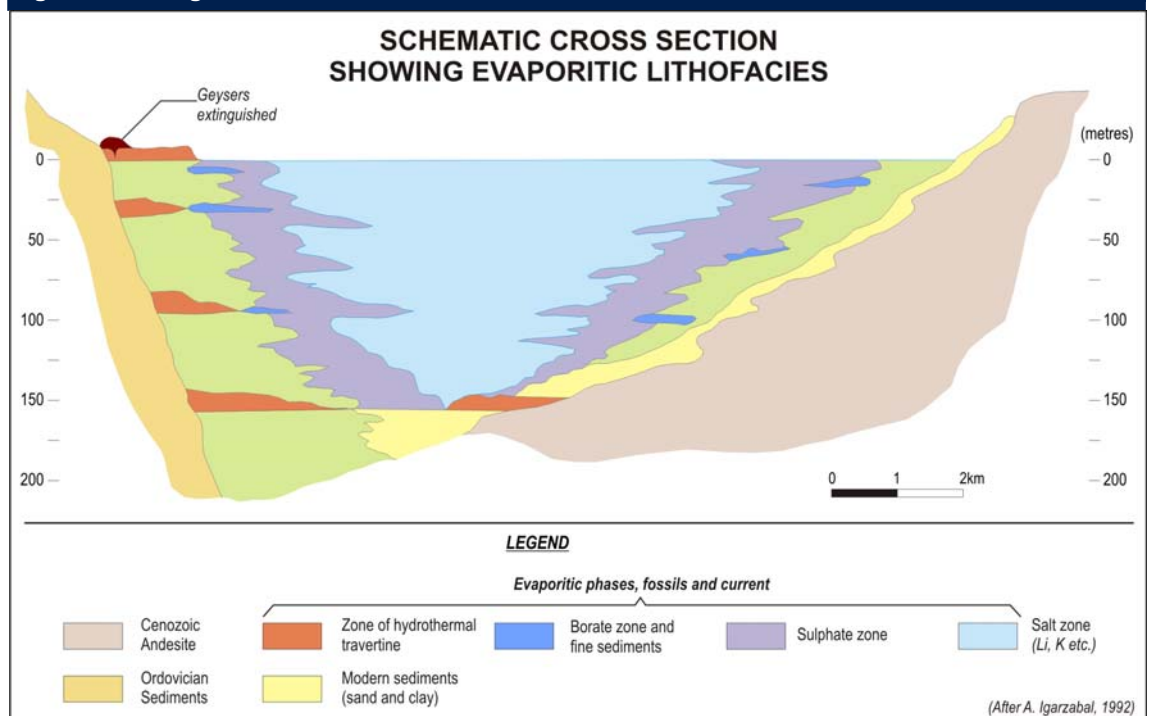
Argentina

- Argentina has 2 other well known lithium/potash deposits, FMC's Salar Hombre Muerto and the Salar Rincon once owned by Admiralty Resources (ADY) before being sold to Sentinent.
- FMC's nearby Hombre Muerto Salar has operated since 1996 and now supplies +15ktpa and with similar chemistry and climate represents the model case for the Olaroz operation.
- Argentina presents a standardised federal mining framework (1995) and a well educated workforce in a low cost environment.

Geology

- Beneath the salt (halite) crust the geological sequence consists interbedded sands, silts clays and minor halite.
- The fluids in some of these particular salars contain lithium under the right conditions.
- A combination of an active tectonic area (the Andes seems perfect)/hot springs, the right rocks to leach, a closed basin and high net evaporation is required for these lithium and potash rich deposits to form.
- ORE is not interested in the salt formed. The economic minerals lithium and potassium (potash) are contained in the solutions within the sedimentary sequence.

Figure 4: Geological Model

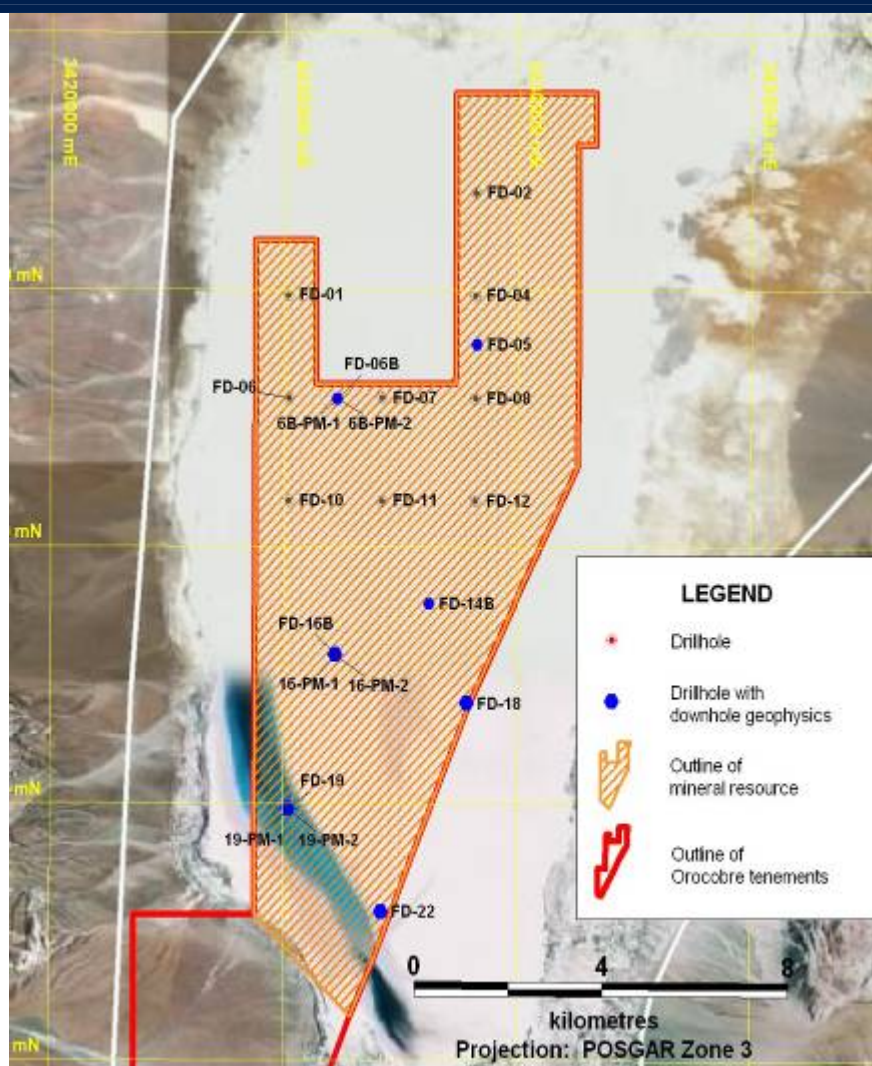


Source: ORE

Resources

- The maiden resource of 350 million kL of brine at 800g/kL (0.08%) lithium and 6,600g/kL potassium was announced in April 2009.
- Typical halite dominated sequences have highly predictable hydrogeological properties with the yield dropping away with depth until +50m below which overburden pressure and salt crystallisation mean very low yields.
- Olaroz is not dominated by halites and the yield of the sands/sandstones do not decline as rapidly with depths suggesting more upside to resource calculations.
- The inferred resource was calculated down to a depth of 55m only by independent consultants Geos Mining of Sydney but with holes down to 200m still in the sedimentary sequence it suggests plenty of upside to this figure.
- **The current inferred resource is equivalent to 1.5 million tonnes of lithium carbonate and 4.4 million tonnes of potash (Muriate of Potash or MoP).**

Figure 5: Mineral Resources



Source: ORE

Project development

- **Timeline:**
 - The Bankable Feasibility Study (BFS) is mid 2010.
 - Environmental Impact Statement (EIS) submitted in mid 2010
 - Permitting/Approvals should follow shortly afterward.
 - Funding should match up with the delivery of the BFS.
 - Construction should take the remainder of FY11 before commissioning in Q1 FY12.
 - Following this we would allow a 24 month ramp up before attaining the 15ktpa lithium carbonate rate.
- **Capital Cost:**
 - ORE's initial scoping study work suggests a capital cost of US\$80-100M.
 - We have used US\$95m for our analysis and suggest only an additional US\$3M would be required for a Boric Acid circuit.
- **Operating Costs:**
 - Operating costs are still being refined but they will be competitive given the location, grades, climate and chemistry. SQM's Salar Atacama cash costs are ~US\$1,600-1,800/t.
 - We estimate ORE's cash costs for lithium carbonate production of circa US\$2,000/t net of potash credits, suggesting a healthy margin and a competitive advantage over hard rock producers.

Figure 6: PSL Estimated cash cost breakdown

PSL Opex for 15ktp lithium carbonate production	US\$/t	%	Comments
Site operating costs	\$2,700	131.0%	For 15ktpa LiCO ₃
Trucking/Shipping/Marketing	\$470	22.8%	
Royalty & Export Duties	\$430	20.9%	
Potash Credit	(\$1,600)	-77.7%	36ktpa @ US\$600/t
Total	\$2,000	97.1%	

Current Market Value of 99% Lithium Carbonate	\$6,500
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Margin	\$4,500
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Source: PSL Estimates

• Processing

- During the scoping study phase, ORE completed 2 stages of detailed testwork and phase chemistry analysis. It is currently advancing feasibility level processing studies.
- Work has shown the Olaroz brines can be processed by a convention processing route (low risk) using solar evaporation in ponds and precipitation of waste products with or without reagents followed by potash recovery via differential flotation and production of lithium carbonate with soda ash.
- This processing route is dictated by climate and brine chemistry.

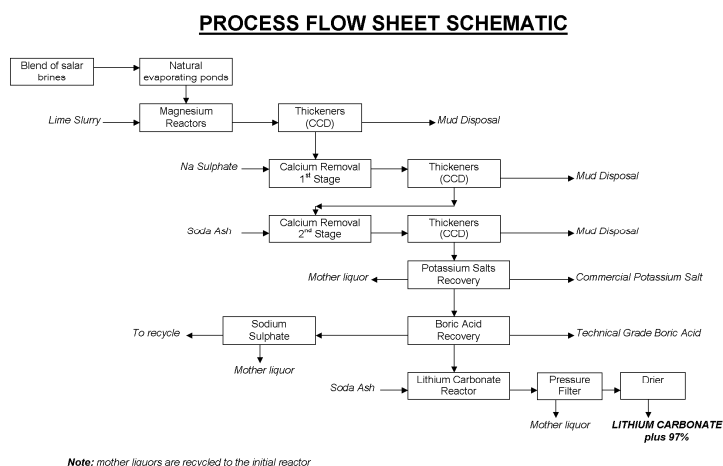
Climate

- As evaporation is the first step in the process high evaporation rates are required for steady production and to minimise costs. Olaroz is at 3,900m above sea level, the average temperature is 8C and precipitation is less than 100mm/year. The average wind velocity is 25km/hr and cloud cover is low making it suitable for the solar evaporation process. FMC's nearby Hombre Muerto uses solar evaporation up to very high concentration levels and has been in production since 1996.

Brine Chemistry

- Olaroz has 3 competitive chemical advantages
 - Good lithium and potassium grades
 - A low Mg:Li ratio which is desirable for processing. At 2.8 to 1 it compares with other brine producers Atacama (SQM) 6.4, Rincon (Sentinent formerly owned by Admiralty Resources ADY) 8.6 and Uyuni in Bolivia at 19. Only Silver Peak and Hombre Muerto are lower at 1.4. The Mg needs to be removed from the brine. The higher the Mg content the more time and reagents required. Olaroz has low Mg:Li, this reduces both costs and time to precipitate out the Mg.
 - The sulphate levels are such that soda ash may not be required for magnesium or calcium removal (precipitate out as gypsum), presenting another cost saving.

Figure 7: Process Flow Schematic

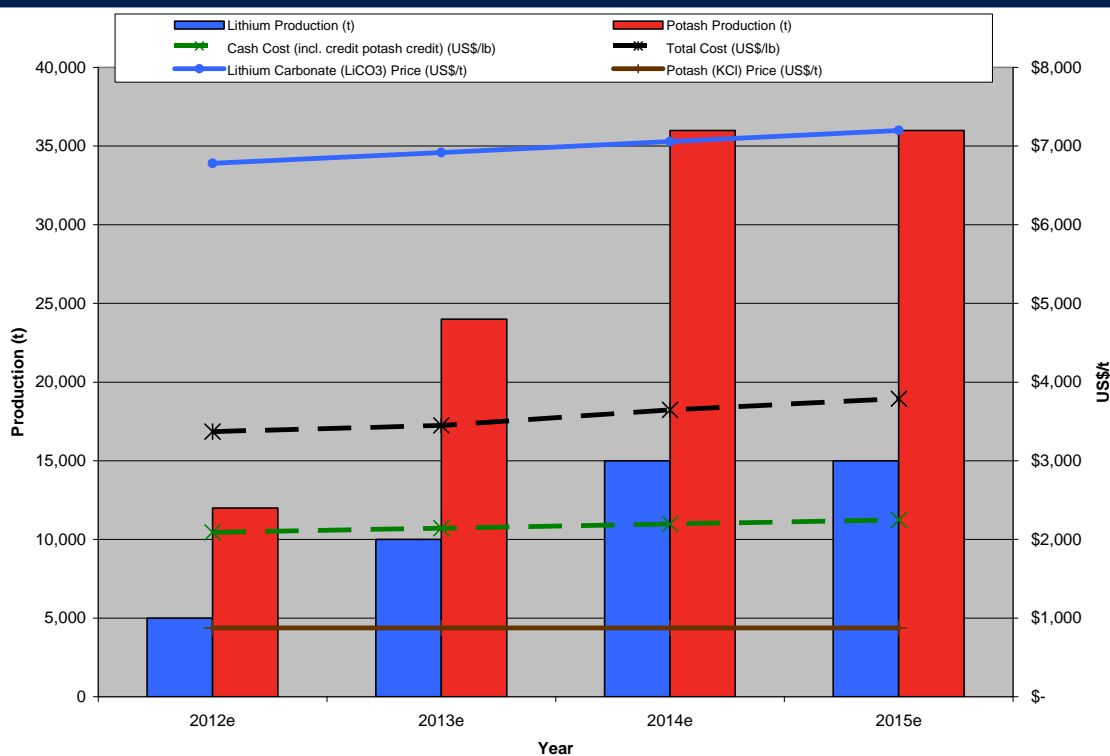


Source: ORE

Salar Olaroz Production Profile

- The BFS is considering an initial production rate of 15ktpa lithium carbonate and 36ktpa potash. We forecast cash costs of circa US\$2,000/t after potash credits. However these have the potential to be reduced further by the adding of a boric acid circuit.

Figure 8: Production profile



Source: Patersons Estimates

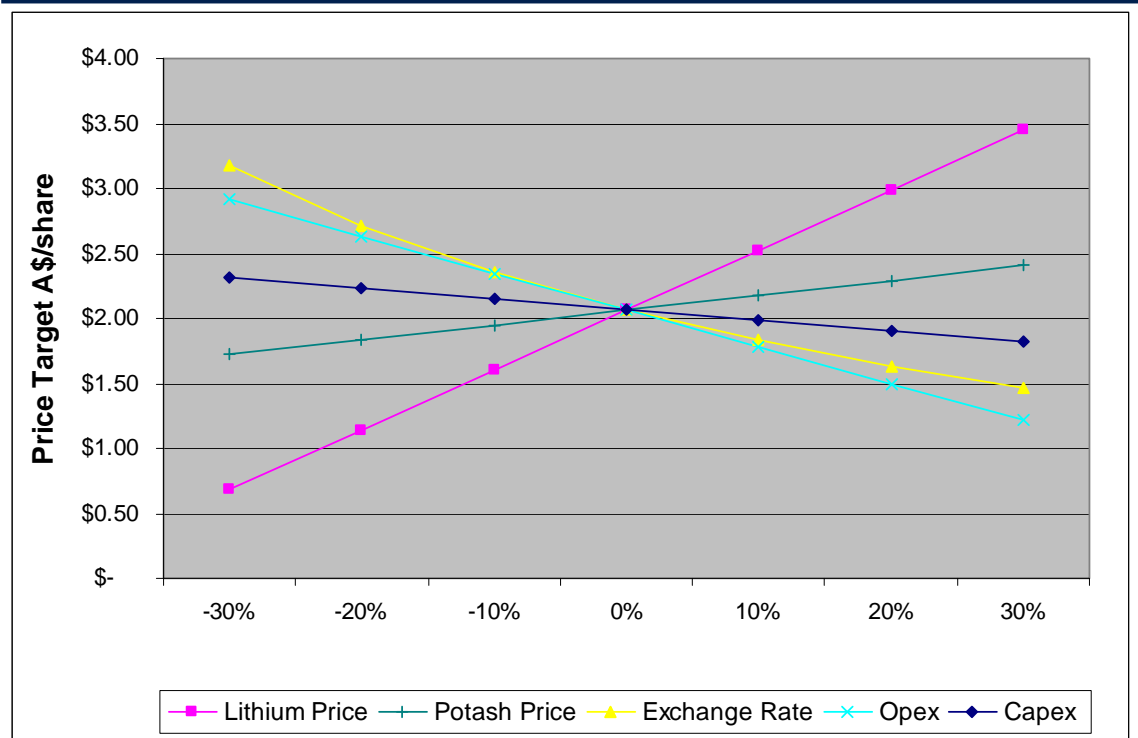
Expansion Scenarios

- While initially ORE's BFS is considering a 15ktpa lithium carbonate operation, the resource base is so large it makes the case for expanding compelling.
- With enough resource defined to support a 15ktpa operation for 100 years and our estimate of circa US\$50M capex for an expansion to 25ktpa increases our DCF valuation dramatically.
- There have been suggestions that the brine solution in early years may be significantly higher than the resource grade suggesting shorter evaporation times and higher production rates may be achieved. This front loading of production presents upside risk to our valuation.
- We would also highlight potential additional brine sources at Cauchari and other South American Salar properties which could be cheaply piped in to supplement supply/production.

Valuation Sensitivity

- **Lithium:** A 10% increase in our Lithium Carbonate price adds 46cps or 22% to our price target.
- **Potash:** A 10% increase in our Potash price adds 11cps or 6% to our price target.
- **Boric Acid:** This is not currently factored in our modelling but initial assessment is positive suggesting for minimal capex it could be produced. Production of this by-product would lower cash costs and increase the project NPV.
- **Forex:** A 10% increase in our forex assumptions subtracts 23cps or 11% to our price target.
- **Capex:** A 10% increase in our capex assumptions subtracts 8cps or 4% to our price target.
- **Opex:** A 10% increase in our operating costs subtracts 28cps or 14% to our price target.

Figure 9: ORE Valuation Sensitivity



Source: Patersons Estimates

Peer comparison

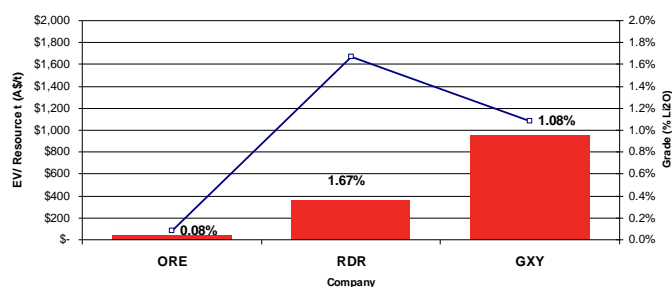
EV/Resource t:

- When it comes to mining projects, larger lower grade resources usually deserve a discount as although they are long life, their capex and opex are higher and recoveries lower.
- Brine producers have an established competitive advantage over hard rock producers. In the case of ORE while not all of the lithium contained in the brine is recoverable, the fact that it is already in solution means vastly lower operating costs when compared to the hard rock producers.
- ORE's project also has significant potential for expansions given the size of its resource.

EV/Production t:

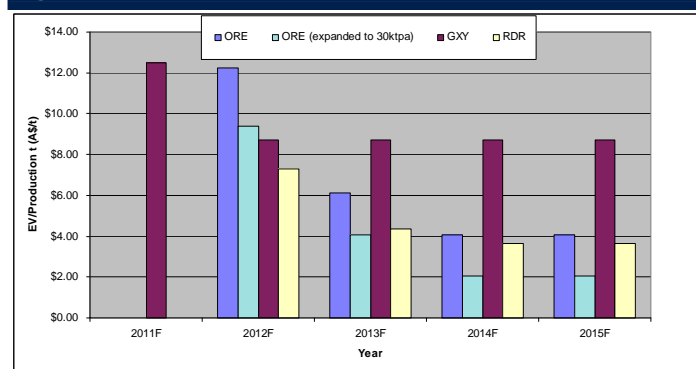
- With a much longer life and lower operating costs, ORE will command a premium to its ASX listed peers once de-risked.

Figure 10: EV/ resource t Li



Source: Patersons Estimates

Figure 11: EV/ Production t



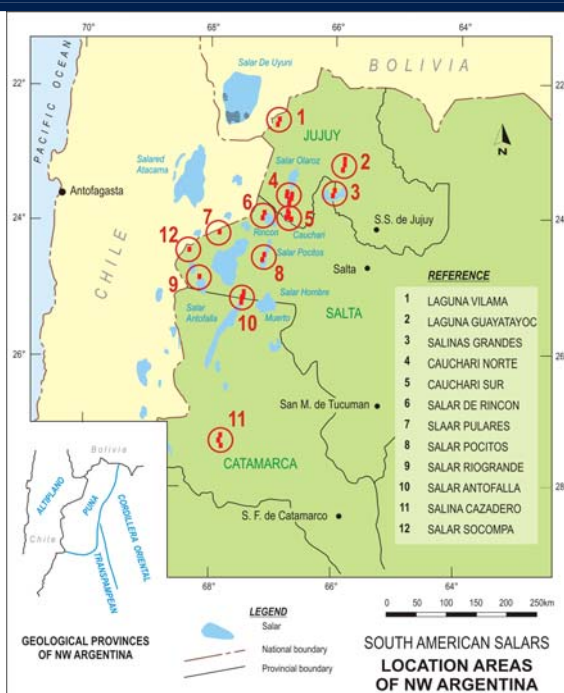
Source: Patersons Estimates

- **SQM:** With a US\$9.5bn market capitalisation SQM's business is evenly split between Potash, Iodine and Lithium. It has ~30% market share of the world lithium market currently and is increasing production from 30ktpa to 40ktpa from its Salar Atacama in Chile.
- **FMC Corporation:** FMC (US\$3.9bn market capitalisation) produces 15-20ktpa of lithium carbonate from its Hombre Muerto Salar in Argentina. With similar chemistry and climate this operation is the most analogous with potential production from Salar Olaroz.
- **Aussie Producer:** Talison Minerals operates the Greenbushes mine near Perth Australia. Production of ~28ktpa lithium contained in spodumene concentrate comes from hard rock mining of a pegmatite. The spodumene concentrate (~6% lithium) is sold to various offtakers into both the lower end glass/ceramics industries and processed in lithium carbonate for higher end battery/pharmaceutical industries.

South American Salars S.A.

- Recently, but before the salar land grab in South America by everyone including majors like Vale, ORE launched a major new regional initiative adding more prospective salars to its stable. It now has the rights to 85% of 85,000 hectares of tenements covering 10 salars. They are prospective for potash, borates, lithium and sodium salts. Some salars already have a history of exploitation for borates and sodium salts. ORE's technical knowledge and management base will be leveraged off for future exploration.

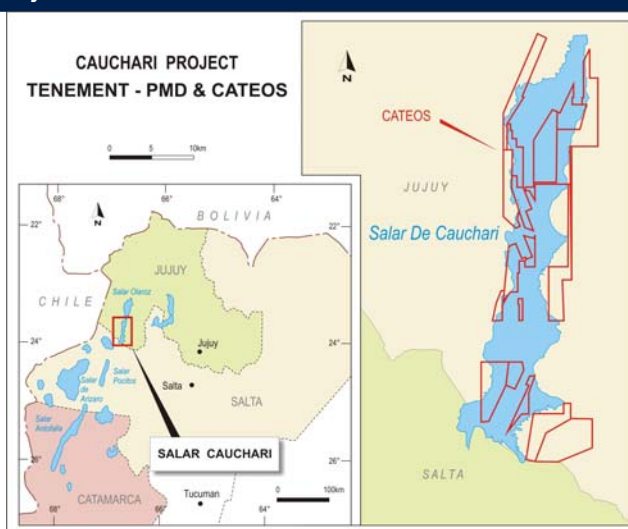
Figure 12: South American Salars



Source: ORE

- One of the priority targets will be Salar de Cauchari. The project has 26,000 hectares of tenements with 30% of the salt crust covered. The centre of the salar is currently being exploited for borates. Many areas have show high levels of boron, potassium and lithium in crust and brines from previous work.

Figure 13: Cauchari Project tenements



Source: ORE

Corporate appeal

- **Strategic for Majors?:** With the market currently dominated by the majors (SQM ~30%, FMC ~20% etc), customers are keen for more diversity in the market. The major producers are obviously not so keen and it may be in their interest to take out ORE to maintain their dominance of the supply side.
- **Downstream processors/Battery Makers/Car Makers:** With lithium one of the most important inputs to new/planned/proposed car models car makers or their downstream processors (battery makers e.g. Panasonic) may act to secure up their own supply. No off-takers/downstream users yet have a significant shareholding in ORE ensuring competitive tension for upcoming negotiations on offtake/funding.
- **Chinese JV?:** Chinese investors have been particularly active investors in the rare earth/lithium sector. Deals with Lynas Corporation Ltd (LYC), Arafura Resources Ltd (ARU) and Galaxy Resources Ltd (GXY) mean that ORE has the most significant and advanced project in this sector that does not yet have Chinese interests.

Funding

- In such a specialised industry it is unlikely the project will be funded via conventional project finance and we expect one or more of the above groups to feature heavily when funding is sought.
- Importantly the project is relatively capital un-intensive, long life and low cost and shows very strong returns making it very attractive particularly to established industry players who understand it well.

Board

- **Non-Executive Chairman James Calaway:** Houston based businessman with 30 years entrepreneurial experience and a background in new industries and energy.
- **Managing Director Richard Seville:** Mining Geologist and Geotechnical Engineer with 25 years industry experience. Director of Leyshon Resources Limited.
- **Executive Director Neil Stuart:** Exploration geologist with 40 years experience. Chairman of Bowen Energy Ltd and founding Director of Oro Plata Ltd (Cerro Negro).
- **Non-Executive Director Jack Tan:** He has had more than 20 years experience in the finance and stockbroking industry, including substantial capital raisings and IPOs.
- **Non-Executive Director Dennis O'Neill:** A founding shareholder 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.

Management

- **Project Manager (Olaroz) Marcelo Sanchez:** Chemical Engineer with 25 years experience in industrial chemical industries and resources.
- **South American Salars S.A Manager Miguel Peral:** >20 years exploration experience in South America in epithermal gold and copper porphyries and salar minerals. Track record of project generation.

Lithium Market

Supply

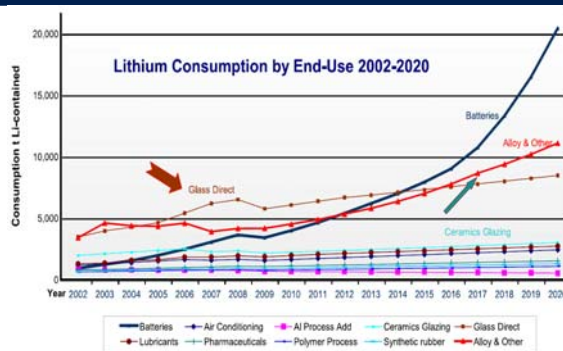
- The lowest cost supply comes from processing of lithium bearing brines and accounts for ~60% of current world supply. This supply is dominated by three large South American producers (SQM, Chemetall and FMC). These brines are the main source of lithium carbonate used in Li-ion batteries.
- Higher cost supply comes from hard rock (pegmatite) miners, dominated by Australia's Talison who operate the Greenbushes mine. These producers make a spodumene concentrate grading 6-7% LiO₂ which is used in the lower end uses like the ceramics and glass industries and some is then processed into lithium carbonate.

Figure 14: Lithium Carbonate Supply

Company	Country	Deposit Type	Li ₂ CO ₃ Eqvt
Talison	Australia	Spodumene	28,000 tonnes
SQM	Chile	Brine	29,000
Chemetall	Chile	Brine	13,000
Chemetall	US	Brine	3,000
FMC Chemical	Argentina	Brine	15,000
Qinghai CITIC	China	Brine	10,000
Various Others	China	Spodumene	20,000
TOTAL			118,000 tonnes

Source: International Lithium Corp

Figure 15: Lithium Consumption by end-use

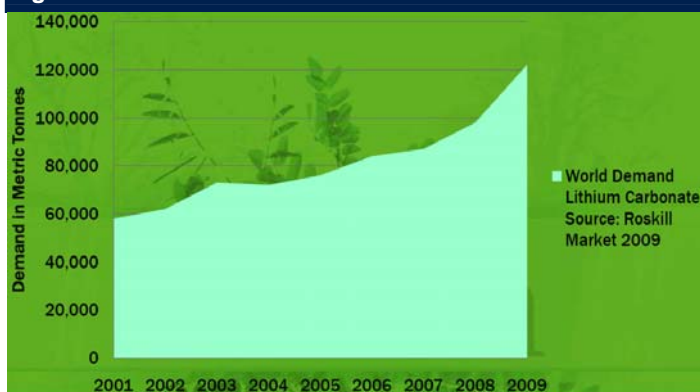


Source: TRU Group

Demand

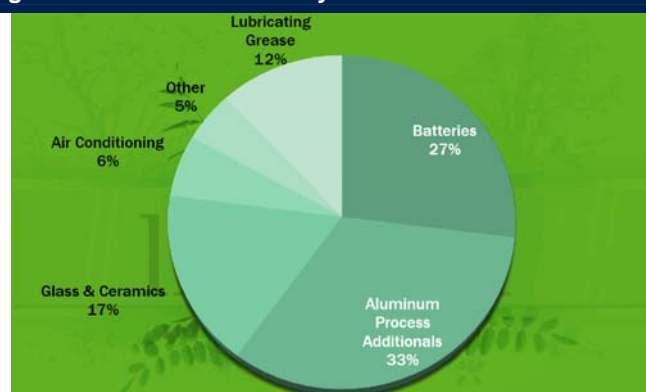
- Lithium demand is being driven by the high growth battery sector and more particular car batteries with consensus in the car industry that lithium batteries are the best option to store energy in electric and hybrid electric vehicles.

Figure 16: Lithium Total Demand



Source: International Lithium Corp

Figure 17: Lithium Demand by Sector



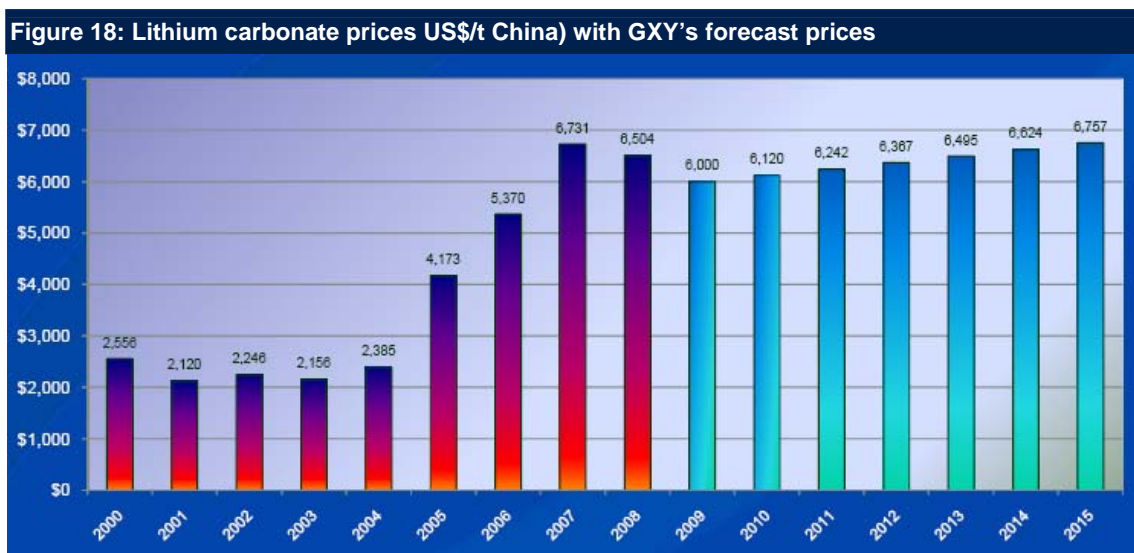
Source: International Lithium Corp

- Lithium ion is the battery of choice for the next generation Hybrids and Electric Cars and with quotes like "The electrification of the automobile is inevitable" by Bob Lutz, Vice Chairman, General Motors. The outlook for lithium is strong.

- Lithium ion (or Li-ion) batteries have a higher energy density (the amount of energy they hold by weight, or by volume) than any other type. The rule of thumb is that Li-ion cells hold roughly twice as much energy per pound as do the previous generation of advanced batteries, nickel-metal-hydride (NiMH), which are used in all current hybrids including the Toyota Prius. NiMH, in turn, holds about twice the energy per pound of the conventional lead-acid (PbA) 12-Volt battery that powers your car's starter motor. It's Li-ion's ability to carry so much energy that makes electric cars possible.

Growth

- Consensus growth estimate is for +7% growth driven by 20% growth in lithium ion batteries (esp. HEV and EV's).
- ~10 car manufacturers will introduce Hybrid Electric Vehicles (HEV)/Electric Vehicles (EV) before 2012 with more to follow.
- The big brine producers appear cautious over their own expansion plans with their scepticism over china's ability to ramp up its supply seeing them opt for stronger pricing power over higher potential volumes.
- We are using US\$6,500/t for lithium carbonate prices going forward. Below is the forecast put forward by Galaxy resources ltd (GXY).



Source: GXY

Electric Cars

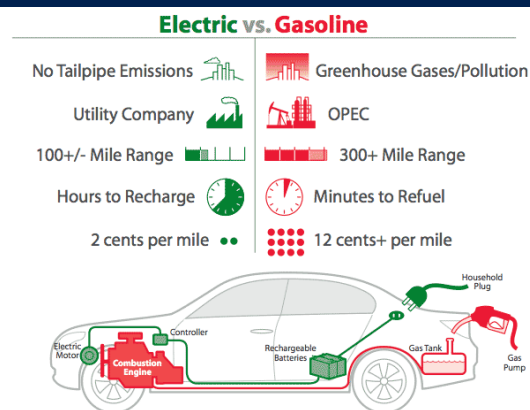
- An **electric car** is powered by an electric motor instead of a gasoline engine. The electric motor gets energy from a controller, which regulates the amount of power—based on the driver's use of an accelerator pedal.
- The electric car uses energy stored in its rechargeable batteries, which are recharged by common household electricity.
- Unlike a hybrid car, which is fuelled by gasoline and uses a battery and motor to improve efficiency, an electric car is powered exclusively by electricity.
- Historically, electric cars have not been widely adopted because of limited driving range before needing to be recharged, long recharging times, and a lack of commitment by automakers to produce and market electric cars that have all the creature comforts of conventional petrol/diesel powered cars. That's changing. As battery technology improves, simultaneously increasing energy storage and reducing cost, major automakers are expected to begin introducing a new generation of electric cars.
- Electric cars produce no exhaust emissions, reduce dependency on oil, and are cheaper to operate. Of course, the process of producing the electricity moves the emissions further upstream to the utility company's smokestack, but even dirty electricity used in electric cars usually reduces our collective carbon footprint.

Figure 19: Dodge Electric Vehicle (EV) sports car



Source: www.hybridcars.com

Figure 20: Electric vs. Conventional Vehicles



Source: www.hybridcars.com

- The electric Dodge EV sports car has a 200-kilowatt (268 hp) electric motor and can do 0 to 60 mph in less than 5 seconds.

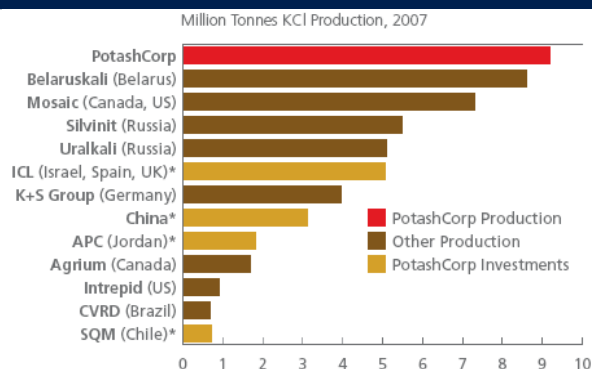
Potash Market

- Potassium is one of the essential elements to sustain life and is sold as one of the three nutrient fertilisers needed for growth.

Supply

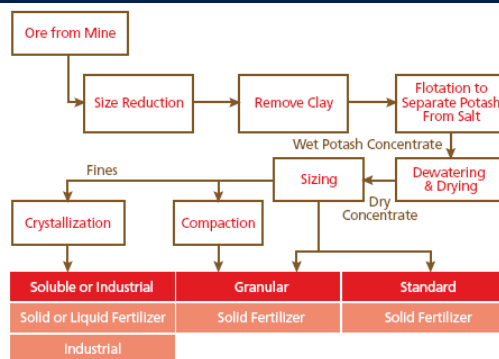
- The +50Mtpa potash (KCl) supply is dominated by the large Russian and Canadian producers. As a by-product comprising ~21% of revenue, potash will form an important part of Salar Olaroz’s revenue and help push the cash cost of lithium carbonate down the cost curve just as it does at the producing salars Atacama and Hombre Muerto.

Figure 21: Potash Producers 2007



Source: Potash Corp

Figure 22: Production Flow Diagram

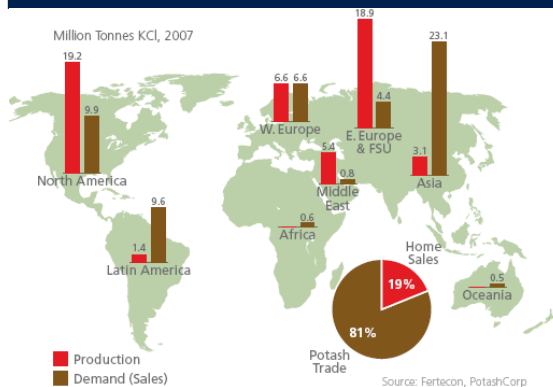


Source: Potash Corp

Demand

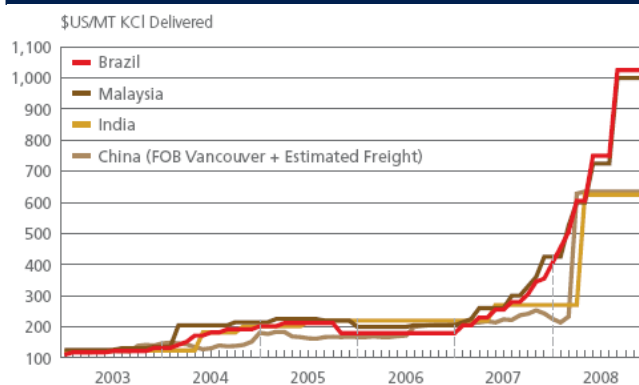
- Global food production needs to more than double by 2049 if we hope to feed our growing world population. Yet, right now, farm productivity in the least developed countries is only 10 percent of what it is in the developed world, while development support for farmers has plummeted relative to total global spending.

Figure 23: World Potash Production and Consumption



Source: Fertecon, PotashCorp

Figure 24: Potash Price



Source: Fertecon, FMB, OMS, PotashCorp

Growth

- Recent deals at the big end of town (Rio selling Rio Colorado to vale for US\$850m and BHP buying the remaining 25% of Anglo Potash) are strong pointers for the outlook for the sector. Consumption has been growing at +3% and is set to increase. We would not be surprised to see a big Chinese deal in the potash sector.

Boric Acid Market

- As a by-product it could add ~7% to revenue. ORE may add a Boric Acid plant to its process. Boric acid is a weak acid often used as an antiseptic, insecticide, flame retardant, in nuclear power plants to control the fission rate of uranium, and as a precursor of other chemical compounds. It exists in the form of colourless crystals or a white powder and dissolves in water. It has the chemical formula H_3BO_3 , sometimes written $B(OH)_3$.
- Rio Tinto is the world's leading supplier of Borates/Boric acid.

Copper-gold IPO

- ORE plans to spin out its non-salar (lithium/potash) assets into a new vehicle. Management is already on board and the new company should list the December Q.
- Following aster imagery interpretation and helicopter reconnaissance the project area contains 3 new targets the El Arriero copper-gold porphyry, the Alunita gold-silver porphyry and the La Virgen epithermal zone.
- Large outcropping areas are screaming out for follow up work.
- The project area is at 4,000 ft, not 4,000m like most South American porphyry targets.
- It has excellent infrastructure readily available (railways, airport, power) and a sealed road runs to within 15km of the project.
- The nearby capital San Juan has a population of approximately 1 million people and provides a ready source of skilled labour and support services.

Figure 25: Santa Domingo Project



Source: ORE

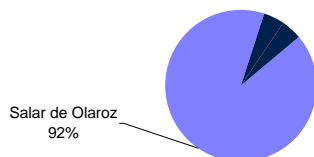
Orocobre Resources Ltd

\$1.18

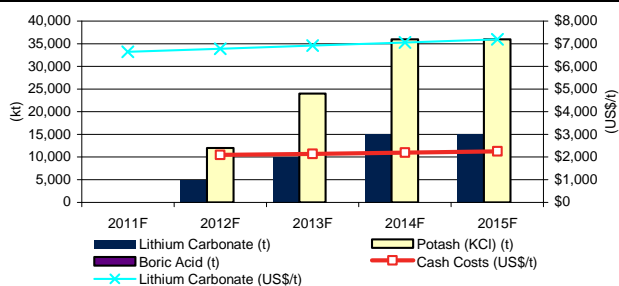
Valuation	A\$m	A\$/sh
Salar de Olaroz	208	2.76
Exploration	10	0.13
Copper-gold IPO	10	0.13
Corporate	(38)	(0.50)
Unpaid Capital	5	0.06
Cash	6	0.08
NPV (10% Discount Rate)	195	2.58
Price Target (20% Risked)	156	2.06

Price Target Sensitivities	-10%	0%	+10%
Lithium Carbonate Price (US\$/t)	1.60	2.06	2.53
Potash Price (US\$/t)	1.95	2.06	2.18
Boric Acid Price (US\$/t)	2.06	2.06	2.06
Exchange Rate (US\$/A\$)	2.35	2.06	1.83

Valuation Summary of Operating Assets



Lithium Production Summary



Reserves & Resources (100% of Project)

Salar Olaroz	MkL	Lithium	Potassium
		g/kL	g/kL
	350	800	6,600
	Mt	%	%
	350	0.08%	0.66%
	equiv.	LiCO ₃	KCl
	Mt	1.49	0.44

Directors

Name	Position
James Calaway	Non-Executive Chairman
Richard Seville	Managing Director
Jack Tan	Non-Executive Director
Neil Stuart	Executive Director
Dennis O'Neill	Non-Executive Director

Substantial Shareholders

Substantial Shareholders	Shares (m)	(%)
Lithium Investors LLC	6.6	11.5
Eye Investment Fund	3.5	5.3

Commodity Assumptions	Year End June 30				
	2011F	2012F	2013F	2014F	2015F
US\$/A\$	0.84	0.84	0.83	0.79	0.77
Lithium Carbonate (US\$/t)	\$6,648	\$6,782	\$6,918	\$7,058	\$7,200
Potash (KCl) (US\$/t)	\$614	\$626	\$639	\$651	\$665
Boric Acid (US\$/t)	\$511	\$522	\$532	\$543	\$554
Sodium Sulphate (US\$/t)	\$123	\$125	\$128	\$130	\$133

Production Summary	Year End June 30				
	2011F	2012F	2013F	2014F	2015F
Salar Olaroz					
Lithium Carbonate (t)		5,000	10,000	15,000	15,000
Potash (KCl) (t)		12,000	24,000	36,000	36,000
Boric Acid (t)					
Sodium Sulphate (t)					
Cash Costs (US\$/t)		\$2,090	\$2,142	\$2,195	\$2,250

Profit & Loss (A\$m)	2011F	2012F	2013F	2014F	2015F
Sales Revenue	0.0	45.2	93.5	150.4	157.3
Other Income	6.0	0.5	1.0	1.7	2.2
Operating Costs	0.0	21.4	44.3	71.4	74.9
Exploration Exp.	0.0	0.0	0.0	0.0	0.0
Corporate/Admin	5.1	6.3	6.4	6.5	6.6
EBITDA	0.9	18.1	43.8	74.2	78.0
Depn & Amort	0.0	4.3	8.7	13.0	13.0
EBIT	0.9	13.8	35.2	61.2	65.0
Interest	12.1	12.1	12.1	11.2	8.8
Operating Profit	(11.2)	1.6	23.0	50.0	56.2
Tax expense	0.0	2.3	8.1	17.5	19.7
Minorities	0.0	0.0	0.0	0.0	0.0
Abnormals	0.0	0.0	0.0	0.0	0.0
NPAT	(11.2)	(0.6)	15.0	32.5	36.5

Normalised NPAT	(11.2)	(0.3)	16.1	35.0	39.4
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Cash Flow (A\$m)	2011F	2012F	2013F	2014F	2015F
Adjusted Net Profit	(11.2)	(0.6)	15.0	32.5	36.5
+ Interest/Tax/Expl Exp	12.1	14.4	20.2	28.7	28.5
- Interest/Tax/Expl Inc	14.2	16.5	22.3	30.9	30.7
+ Depn/Amort	0.0	4.3	8.7	13.0	13.0
+/- Other	0.0	0.0	0.0	0.0	0.0
Operating Cashflow	(13.3)	1.6	21.5	43.3	47.3
- Capex (+asset sales)	128.7	4.2	4.3	4.3	4.4
- Working Capital Increase	0.0	0.0	0.0	0.0	0.0
Free Cashflow	(142.0)	(2.6)	17.3	39.0	42.9
- Dividends (ords & pref)	0.0	0.0	0.0	0.0	0.0
+ Equity raised	0.0	0.0	0.0	0.0	0.0
+ Debt drawdown (repaid)	0.0	0.0	0.0	(32.0)	(32.0)
Net Change in Cash	(142.0)	(2.6)	17.3	7.0	10.9
Cash at End Period	13.2	10.7	27.9	34.9	45.8
Net Cash/(LT Debt)	(146.8)	(149.3)	(132.1)	(93.1)	(50.2)

Balance Sheet (A\$m)	2011F	2012F	2013F	2014F	2015F
Cash/Bullion	13.2	10.7	27.9	34.9	45.8
Total Assets	154.6	154.0	168.9	169.4	174.0
Total Debt	160.0	160.0	160.0	128.0	96.0
Total Liabilities	159.6	159.6	159.6	127.6	95.6
Shareholders Funds	-5.4	-6.0	9.0	41.5	78.0

Ratios	2011F	2012F	2013F	2014F	2015F
Net Debt/Equity (%)	na	na	na	na	na
Interest Cover (x)	0.1	1.1	2.9	5.5	7.4
Return on Equity (%)	na	na	167.2	78.4	46.8

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