

TALISON LITHIUM LIMITED
ACN 140 122 078



AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

1. Introduction

The Audit and Risk Management Committee (the **Committee** or the **Audit and Risk Management Committee**) is a committee of the Board of directors (**Board**) of Talison Lithium Limited (**Talison** or the **Company**). The Committee shall oversee the accounting and financial reporting practices of the Company, the audits of the Company's financial statements, review the Company's systems of internal controls and risk management, administer the risk management policy, and exercise the responsibilities and duties set out in this Charter.

This Charter is established in compliance with Toronto Stock Exchange (**TSX**), Australian Securities Exchange (**ASX**) and other Canadian and Australian legal requirements.

2. Membership

2.1 Number of members

The Committee shall be composed of at least three members of the Board. It should be of sufficient size to discharge its charter effectively.

2.2 Independence of Members

Each member of the Committee should be independent. "Independent" shall have the meaning, as the context requires, given to it in the Canadian Securities Administrators' National Instrument 52-110 *Audit Committees* and, as and when the Company is listed on ASX, the ASX Corporate Governance Principles and Recommendations, as may be amended from time to time.

No director may serve as a member of the Committee if such director serves on the audit committee of more than two other public companies unless the Board determines that such simultaneous service would not impair the ability of such director to effectively serve on the Committee, and this determination is disclosed in the Company's management information circular.

2.3 Chair

At the time of the annual appointment of the members of the Audit and Risk Management Committee, the Board shall appoint, on the recommendation of the Corporate Governance, Appointments and Remuneration Committee, a Chairman of the Audit and Risk Management Committee (the Chairman). The Chairman shall be a member of the Audit and Risk Management Committee, preside over all Audit and Risk Management Committee meetings, coordinate the Audit and Risk Management Committee's compliance with this Charter, work with management to develop the Audit and Risk Management Committee's annual work-plan

and provide reports and recommendations of the Audit and Risk Management Committee to the Board.

2.4 Technical expertise and financial literacy of members

The Audit and Risk Management Committee shall have sufficient technical expertise to carry out this charter effectively.

At the time of his or her appointment to the Committee, each member of the Committee shall have, or shall acquire within a reasonable time following appointment to the Committee, the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. At least one member of the Audit and Risk Management Committee shall have relevant qualifications and experience (that is, should be a qualified accountant or other finance professional with experience of financial and accounting matters) and some members must have an understanding of the industry in which the Company operates.

2.5 Term of members

The members of the Committee shall be appointed annually by the Board, on the recommendation of the Corporate Governance, Appointments and Remuneration Committee, following the annual general meeting of shareholders. Each member of the Committee shall serve at the pleasure of the Board until the member resigns, is removed, or ceases to be a member of the Board. Unless a Chairman is elected by the Board, on the recommendation of the Corporate Governance, Appointments and Remuneration Committee, the members of the Committee may designate a Chairman by majority vote of the full Committee membership.

3. Meetings

3.1 Number of meetings

The Committee shall meet quarterly and may meet as many further times per year as necessary to carry out its responsibilities effectively.

3.2 Quorum

No business may be transacted by the Committee at a meeting unless a quorum of the Committee is present. A majority of members of the Committee shall constitute a quorum.

3.3 Calling of meetings

The Chairman, any member of the Audit and Risk Management Committee, the external auditors, the Chairman of the Board, or the Chief Executive Officer or the Chief Financial Officer may call a meeting of the Audit and Risk Management Committee by notifying the Company Secretary who will notify the members of the Audit and Risk Management Committee. The Chairman shall chair all Audit and Risk Management Committee meetings that he or she attends, and in the absence of the Chair, the members of the Audit and Risk Management Committee present may appoint a chair from their number for a meeting.

3.4 Minutes and reporting to the Board

The Committee shall report to the Board. The Committee shall maintain minutes or other records of meetings and activities of the Committee in sufficient detail to convey the substance of all discussions held. Upon approval of the minutes by the Committee, the minutes shall be circulated to the members of the Board. The Chairman:

- a) will report orally or electronically to the Board on the outcome of the Audit and Risk Management Committee Meeting prior to the Board approving the financial statements or other financial disclosure, and
- b) may report orally to the Board on any matter in his or her view requiring the immediate attention of the Board.

3.5 Attendance of non-members

The external auditors are entitled to attend and be heard at each Audit and Risk Management Committee meeting. In addition, the Committee may invite to a meeting any officers or employees of the Company, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities. At least once per year, the Committee shall meet with management in separate sessions to discuss any matters that the Committee or such individuals consider appropriate.

3.6 Meetings without management and auditors

The Committee shall hold unscheduled or regularly scheduled meetings, or portions of meetings, at which management is not present, including with the Company's external auditors.

3.7 Procedure

The procedures for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those applicable to meetings of the Board.

3.8 Access to management and auditors

The Committee shall have unrestricted access to the Company's management and employees, the books and records of the Company, and the Company's external auditors.

The Company's external auditors will also have direct access to the Committee at their own initiative.

4. Duties and responsibilities

The Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and regulations. In addition to these functions and responsibilities, the Committee shall perform the duties required of an audit committee by any exchange upon which securities of the Company are traded, or any governmental or regulatory body exercising authority over the Company, as are in effect from time to time (collectively, the **Applicable Requirements**).

Financial Reports

a) General

The Audit and Risk Management Committee is responsible for overseeing the integrity of the Company's financial statements and financial disclosures and overseeing the independence of the external auditors. Management is responsible for the preparation, presentation and integrity of the Company's financial statements and financial disclosures and for the appropriateness of the accounting principles and the reporting policies used by the Company. The external auditors are responsible for auditing the Company's annual consolidated financial statements and for reviewing the Company's unaudited interim financial statements.

b) Reporting to shareholders

The Audit and Risk Management Committee is responsible for reporting to shareholders on the carrying out of its responsibilities under this Charter and on other matters as required by applicable securities regulations.

c) Review of annual financial reports

The Audit and Risk Management Committee shall review the annual consolidated audited financial statements of the Company, the external auditors' report thereon and the related management's discussion and analysis of the Company's financial condition and results of operation (**MD&A**). After completing its review, if advisable, the Audit and Risk Management Committee shall approve and recommend for Board approval the annual financial statements and the related MD&A.

d) Review of interim financial reports

The Audit and Risk Management Committee shall review the interim consolidated financial statements of the Company, the external auditors' review report thereon and the related MD&A. After completing its review, if advisable, the Audit and Risk Management Committee shall approve and recommend for Board approval the interim financial statements and the related MD&A.

e) Review considerations

In conducting its review of the annual financial statements or the interim financial statements, including related footnotes, MD&A, earnings releases and the annual information form, for the purpose of recommending approval by the Board of Directors prior to being released or filed with the regulators, the Audit and Risk Management Committee shall have the following responsibilities and report their fulfilment to the Board:

- i. meet with management and the external auditors to discuss the financial statements and MD&A;
- ii. discuss among itself, without management or the external auditors present, the information disclosed to the Committee;
- iii. assess whether external reporting is consistent with Committee members' information and knowledge and is adequate for shareholders' needs;
- iv. review the disclosures in the financial statements in light of the reliability and integrity of accounting policies and financial reporting and disclosure practices;
- v. review the audit report or review report prepared by the external auditors;
- vi. discuss with management, the external auditors and legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the financial statements;
- vii. review with management and the external auditors any serious issues with the audit;
- viii. review the accounting policies followed and critical accounting and other significant estimates and judgements underlying the financial statements as presented by management;

- ix. review the assurances received from both financial management and the external auditors that the financial statements are fairly presented in conformity with applicable accounting standards in all material respects;
- x. review any material effects of regulatory accounting initiatives or off-balance sheet structures on the financial statements as presented by management, including requirements relating to complex or unusual transactions, significant changes to accounting principles and alternative treatments under applicable accounting standards;
- xi. review any material changes in accounting policies and any significant changes in accounting practices and their impact on the financial statements as presented by management;
- xii. review management's report on the effectiveness of internal controls over financial reporting and assess the management processes supporting external reporting;
- xiii. review the factors identified by management as factors that may affect future financial results;
- xiv. review results of the Company's audit committee whistleblower policy;
- xv. review any other matters, related to the financial statements, that are brought forward by the external auditors, management or which are required to be communicated to the Audit and Risk Management Committee under accounting policies, auditing standards or Applicable Requirements; and
- xvi. review with the external auditors any audit problems or difficulties and management's response and resolving disagreements between management and the auditors.

f) Approval of other financial disclosures

The Audit and Risk Management Committee shall review and, if advisable, approve and recommend for Board approval financial disclosure in a prospectus or other securities offering document of the Company, press releases disclosing, or based upon, financial results of the Company and any other material financial disclosure, including financial guidance provided to analysts, rating agencies or otherwise publicly disseminated. The Audit and Risk Management Committee shall review and, if advisable, approve and recommend for Board approval financial disclosure or results required to be released, filed or lodged under TSX or, as and when applicable, ASX rules or any other Applicable Requirements.

External auditors

a) General

The Audit and Risk Management Committee shall be responsible for oversight and evaluation of the work of the external auditors, including the external auditors' work in preparing or issuing an audit report, performing other audit, review or attest services or any other related work.

b) Appointment and compensation

Subject to the powers of the Board and the shareholders under the Company's constitution and under the *Corporations Act 2001* (Cth), the Audit and Risk Management Committee shall review and, if advisable, select and recommend for shareholder approval the appointment of, or if necessary the removal of, the external

auditors. The Audit and Risk Management Committee shall have ultimate authority to approve all audit engagement terms and fees, including the external auditors' audit plan.

The Company shall provide appropriate funding, as determined by the Audit and Risk Management Committee, for payment of: (i) compensation to the external auditors and any other public accounting firm engaged to prepare or issue an audit report or perform other audit, review or attestation services for the Company; (ii) compensation of any advisers retained by the Audit and Risk Management Committee; and (iii) ordinary administrative expenses of the Audit and Risk Management Committee that are necessary or appropriate in carrying out its duties.

c) Reporting to Audit and Risk Management Committee

The Audit and Risk Management Committee shall ensure that the external auditors report directly to the Audit and Risk Management Committee and are made accountable to the Board and the Audit and Risk Management Committee, as representatives of the shareholders to whom the auditors are ultimately responsible.

d) Resolution of disagreements

The Audit and Risk Management Committee shall resolve any disagreements between management and the external auditors as to financial reporting matters brought to its attention.

e) Discussions with external auditors

At least annually, the Audit and Risk Management Committee shall discuss with the external auditors such matters as are required by applicable auditing standards to be discussed by the external auditors with the Audit and Risk Management Committee.

f) Audit plan

At least annually, the Audit and Risk Management Committee shall review a summary of the external auditors' proposed annual audit plan and the audit procedures to be used. The Audit and Risk Management Committee shall consider and review with the external auditors any material changes to the scope of the plan and/or the audit procedures to be used.

g) Review reports

The Audit and Risk Management Committee shall review a report prepared by the external auditors, and delivered in a timely manner, in respect of each of the interim financial statements of the Company.

In connection with any annual audited financial statements, the Audit and Risk Management Committee shall obtain a report from the external auditor describing all critical accounting policies and practices used, all alternative treatments within applicable accounting standards for policies and practices related to material items that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors, and any material written communications between the external auditors and management (such as any "management" letter or schedule of unadjusted differences).

At least annually, the Audit and Risk Management Committee shall obtain and review a report prepared by the external auditors describing:

- i. the auditors' internal quality-control procedures;
- ii. any material issues raised by the most recent internal quality-control review, or peer review of the auditors, or by any inquiry of investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditors, and any steps taken to deal with any such issues; and
- iii. the auditors' independence.

h) Independence of external auditors

At least annually, and before the external auditors issue their report on the annual financial statements, the Audit and Risk Management Committee shall obtain from the external auditors a formal written statement describing all relationships between the external auditors and the Company; discuss with the external auditors any disclosed relationships or services that may affect the objectivity and independence of the external auditors; and obtain written confirmation from the external auditors that they are objective and independent within the meaning of the applicable Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which the external auditors belong and other Applicable Requirements. The Audit and Risk Management Committee shall take appropriate action to oversee the independence of the external auditors.

i) Evaluation and rotation of lead partner

At least annually, the Audit and Risk Management Committee shall review the qualifications and performance of the lead partner(s) of the external auditors and determine whether it is appropriate to adopt or continue a policy of rotating lead partners of the external auditors.

j) Requirement for pre-approval of non-audit services

The Audit and Risk Management Committee shall approve in advance any retainer of the external auditors to perform any non-audit service to the Company that it deems advisable in accordance with Applicable Requirements and Board approved policies and procedures. The Audit and Risk Management Committee must be satisfied that provision of the services will not compromise the auditor's independence. The Audit and Risk Management Committee may delegate pre-approval authority to a member of the Audit and Risk Management Committee. The decisions of any member of the Audit and Risk Management Committee to whom this authority has been delegated must be presented to the full Audit and Risk Management Committee at its next scheduled Audit and Risk Management Committee meeting.

The Audit and Risk Management Committee shall ensure that the external auditors are prohibited from providing the following non-audit services and shall determine which other non-audit services the external auditors are prohibited from providing:

- bookkeeping or other services related to the accounting records or financial statements of the Company;
- financial information systems design and implementation;
- appraisal or valuation services, fairness opinions or contribution-in-kind reports;
- actuarial services;

- internal audit outsourcing services;
- management functions or human resources consulting;
- broker or dealer, investment advisor or banking services;
- legal or expert services unrelated to the audit; and
- any other services which the a relevant regulatory authority determines to be impermissible.

k) Approval of hiring policies

The Audit and Risk Management Committee shall review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.

l) Financial executives

The Committee shall review and discuss with management the appointment of key financial executives and recommend qualified candidates to the Board, as appropriate.

Internal Controls

a) General

The Audit and Risk Management Committee shall review the Company's system of internal controls.

b) Establishment, review and approval

The Audit and Risk Management Committee shall require management to implement and maintain appropriate systems of internal controls in accordance with Applicable Requirements, including internal controls over financial reporting and disclosure and to review, evaluate and approve these procedures. At least annually, the Audit and Risk Management Committee shall consider and review with management and the external auditors:

- i. the effectiveness of, or weaknesses or deficiencies in: the design or operation of the Company's internal controls (including computerized information system controls and security); the overall control environment for managing business risks; and accounting, financial and disclosure controls (including, without limitation, controls over financial reporting), non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions;
- ii. the adequacy of procedures that are in place for the review of the Company's public disclosure or financial information extracted or derived from the Company's financial statements;
- iii. the adequacy of procedures that are in place to ensure that management provides the Committee with timely analysis of significant issues and practices relating to accounting principles and policies, financial reporting and internal control over financial reporting;

- iv. any significant changes in internal controls over financial reporting that are disclosed, or considered for disclosure, including those in the Company's periodic regulatory filings;
- v. any material issues raised by any inquiry or investigation by the Company's regulators;
- vi. the Company's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Company to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting;
- vii. hiring policies for partners, employees or former partners and former employees of the external auditors;
- viii. any related significant issues and recommendations of the external auditors together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls;
- ix. the detection of illegal acts;
- x. the external auditors' responsibilities under applicable accounting standards;
- xi. any restrictions on the scope of the external audit;
- xii. any significant accounting policies;
- xiii. management judgment and accounting estimates;
- xiv. any accounting adjustments arising from the audit that were noted or proposed by the external auditors but were passed (as immaterial or otherwise);
- xv. the responsibility of the external auditors for other information in documents containing audited financial statements;
- xvi. disagreements and difficulties encountered with management in performing the audit;
- xvii. consultation by management with other accountants;
- xviii. major issues discussed with management prior to retention of the external auditors;
- xix. the external auditor's judgment about the quality of the entity's accounting principles; and
- xx. the responsibilities, budget and staffing of the Company's internal audit function.

Risk management responsibilities

The Audit and Risk Management Committee must establish and review the Company's systems of risk oversight and management and report the results to the Board.

The Committee must establish risk management systems in accordance with the Risk Management Policy in Schedule A.

Compliance responsibilities

The Audit and Risk Management Committee shall review reports from the Company's Corporate Secretary and other management members on legal or compliance matters that may have a material impact on the Company, the effectiveness of the Company's compliance policies and any material communications received from regulators. The Audit and Risk Management Committee shall review management's evaluation of and representations relating to compliance with specific applicable law and guidance, and management's plans to remediate any deficiencies identified.

Disclosure responsibilities

The Audit and Risk Management Committee shall prepare, review and approve any audit committee disclosures required by Applicable Requirements in the Company's disclosure documents.

Audit and Risk Management Committee whistleblower procedures

The Audit and Risk Management Committee shall establish procedures for:

- a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
- b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Any such complaints or concerns that are received shall be reviewed by the Audit and Risk Management Committee and, if the Audit and Risk Management Committee determines that the matter requires further investigation, it will direct the Chair of the Audit and Risk Management Committee to engage outside advisors, as necessary or appropriate, to investigate the matter and will work with management and legal counsel to reach a satisfactory conclusion.

5. Delegation

The Audit and Risk Management Committee may, to the extent permissible by Applicable Requirements, designate a sub-committee to review any matter within this Charter as the Audit and Risk Management Committee deems appropriate.

6. No rights created

This Charter is a statement of broad policies and is intended as a component of the flexible governance framework within which the Audit and Risk Management Committee, functions. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Company's constitution, it is not intended to establish any legally binding obligations.

Adopted: November 10, 2009

SCHEDULE A

RISK MANAGEMENT POLICY

1. Introduction

Risk recognition and management are viewed by Talison Lithium Limited (**Company**) as integral to the Company's objectives of creating and maintaining shareholder value, and to the successful execution of the Company's strategies.

The purpose of this Policy is to ensure that:

- a) appropriate systems are in place to identify to the extent reasonably practicable all material risks that may impact the Company's business;
- b) the financial impact of identified risks is understood, and appropriate internal control systems are in place to limit the Company's exposure to such risks;
- c) appropriate responsibilities are delegated to control the identified risks effectively; and
- d) any material changes to the Company's risk profile are disclosed in accordance with the Company's Disclosure Policy.

For the purpose of this Policy, risk is defined as possible outcomes that could materially adversely impact on the Company's financial performance, assets, reputation, people or the environment.

The Audit and Risk Management Committee is responsible for risk oversight and the management and internal control of the processes by which risk is considered for both ongoing operations and prospective actions. As a minimum, the Audit and Risk Management Committee is required to:

- oversee the establishment and implementation of the risk management system; and
- review the effectiveness of the Company's risk management system.

in relation to the processes, structures and culture established to identify, assess, treat and monitor risk to support the achievement of the Company's objectives.

Not all aspects of risk management can be formalised, and the Company places considerable reliance on the skill, experience and judgment of its people to take risk managed decisions within the Policy framework and to communicate openly on all risk related matters.

2. Identified business risks

There are a number of risks which are inherent to the business activities which the Company undertakes. These risks include:

- a) the availability and cost of reserves replacement and recovery;
- b) commercialisation of mineral reserves;
- c) exposure to changes in commodity prices and exchange rates;
- d) production continuity;
- e) technical and operational competencies;

- f) health, safety, environment and security risk; and
- g) exposure to debt.

These risks may change over time as the external environment changes and as the Company expands its operations. The risk management process requires the Board to conduct regular reviews of the Company's existing risks and the identification of any new and emerging risks facing the Company, including financial and non-financial matters. It also requires the management (including mitigation where appropriate) of these risks.

3. Business risk management policies and practices

In order to properly identify and develop strategies and actions to manage business risks, the Company has put in place a business risk management framework based on the following key elements:

- a) an assessment of the potential impact of identified business risks and the likelihood of occurrence;
- b) a ranking of the business risk in accordance with the likely impact on the Company;
- c) an assessment of the acceptability of each identified risk;
- d) a consideration and decision on the proposed actions to eliminate, reduce or manage each material risk; and
- e) an assignment of the responsibilities for the management of each risk.

Risk management encompasses all areas of the Company's activities. Once a business risk is identified, the risk management processes and systems implemented by the Company are aimed at providing the necessary framework to enable the business risk to be managed.

The overall results of this assessment are presented to the Board, in oral and written form, by the Chair of the Audit and Risk Management, and updated as needed.

The Board reviews the Company's risk management, and where required, makes recommendations for improvements to its risk management and internal compliance and control systems.

4. Additional risk management policies and practices

In addition to the specific risk management process described in this Policy, the Company has the following procedures and practices which are designed to manage specific business risk:

- an insurance program which is reviewed by the Board;
- regular budgeting and financial reporting;
- the Company's business plan;
- corporate strategy guidelines and procedures to review and approve the Company's strategic plans;
- a framework to ensure that legal commitment and expenditure exceeding certain levels are submitted to the Board for approval;
- procedures/controls to manage financial exposures and operational risks;

- procedures/controls to manage environmental and occupational health and safety matters;
- oversight of the Company's financial affairs by the Audit and Risk Management Committee;
- regular performance reporting enabling the identification of performance against targets and evaluation of trends; and
- ongoing training and development programmes.

Additionally, all significant areas of the Company's operations are subject to regular reporting to the Board, including exploration, development, production, finance, legal, safety, environment, government and investor relations.