

TALISON LITHIUM LIMITED
ACN 140 122 078



BOARD OF DIRECTORS CHARTER

1. Introduction

The members of the board of directors (**Board**) have the duty to oversee the management and affairs of Talison Lithium Limited (**Talison** or the **Company**). The Board, directly and through its committees and the Chairman of the Board (**Chairman**), shall provide direction to senior management, generally through the Chief Executive Officer, to pursue the best interests of the Company.

2. Role of the Board

The Board's key objectives are to:

- a) increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders; and
- b) ensure the Company is properly managed.

In performing its responsibilities, the Board will act:

- a) in the best interests of Talison;
- b) honestly, fairly and diligently;
- c) in accordance with the Code of Business Conduct and Ethics and other corporate governance policies; and
- d) in accordance with the duties and obligations imposed upon it by Talison's constitution and the law.

3. Membership

3.1 General

The composition and organization of the Board (including the number, qualifications and remuneration of directors, the number of Board meetings, Australian residency requirements, quorum requirements, meeting procedures, and notices of meetings) are governed by the *Corporations Act 2001* (Cth), Canadian and Australian securities laws, Toronto Stock Exchange (TSX), the constitution of the Company and, if applicable, the Australian Securities Exchange (ASX) rules, subject to any exemptions or relief that may be granted from such requirements.

Each director must have an understanding of the Company's principal operational and financial objectives, plans and strategies, and financial position and performance. Directors must have sufficient time to carry out their duties and not assume responsibilities that would materially interfere with, or be incompatible with, Board membership. Directors who experience a significant change in their personal circumstances, including a change in their principal occupation or membership on other boards, are expected to advise the chairman of the Corporate Governance, Appointments and Remuneration Committee.

3.2 Independence

A majority of the Board should be independent. The Board will aim to ensure a majority of its members are independent. "Independent" shall have the meaning, as the context requires, given to it in National Policy 58-201 – *Corporate Governance Guidelines*, as may be amended from time to time, and, as and when the Company is listed on ASX, as set out in the ASX Corporate Governance Principles and Recommendations. Each director should also be in a position to effectively review and constructively challenge the performance and recommendations of management, evaluate the performance of the Company and exercise independent judgement.

3.3 Chairman of the Board

The Chairman of the Board shall be an independent director, unless the Board determines that it is inappropriate to require the Chairman to be independent. If the Board determines that it would be inappropriate to require the Chairman of the Board to be independent, then the independent directors shall select from among their number a director who will act as "Lead Director" and who will assume responsibility for providing leadership to enhance the effectiveness and independence of the Board. The Chairman, in consultation with the Lead Director shall act as the effective leader of the Board, co-ordinate the activities of the Board and ensure that the Board's agenda will enable it to successfully carry out its duties. The roles of Chairman and Chief Executive Officer shall not be exercised by the same individual.

4. Meetings

The Board generally has quarterly scheduled meetings, with additional meetings held as the Chairman considers appropriate. The Chairman is primarily responsible for the agenda and for supervising the conduct of the meeting. Any director may propose the inclusion of items on the agenda, request the presence of, or a report by, any member of senior management, or at any Board meeting raise subjects that are not on the agenda for that meeting.

Meetings of the Board shall be conducted in accordance with the Company's constitution.

The members of the Board are expected to attend all meetings of the Board of Directors unless prior notification of the absence is provided.

Board and committee papers are to be provided to directors a reasonable period prior to the relevant meeting except where a meeting is called urgently. Board papers are to contain sufficient information to enable directors to be properly informed on the matters to be considered at the forthcoming Board meeting. The members of the Board are expected to review board materials in advance of meetings and be prepared to discuss such materials at the meetings.

4.1 Secretary and minutes

The Corporate Secretary, his or her designate or any other person the Board requests shall act as secretary of Board meetings. Minutes of Board meetings shall be recorded and maintained by the Corporate Secretary and subsequently presented to the Board for approval.

4.2 Meetings without management

The independent members of the Board should endeavour to hold regularly scheduled meetings, or portions of regularly scheduled meetings, at which non-independent directors and members of management are not present.

4.3 Meeting attendance

Each director is expected to attend all meetings of the Board and any committee of which he or she is a member. Directors will be expected to have read and considered the materials sent to them in advance of each meeting and to actively participate in the meetings.

4.4 Access to management and outside advisors

The Board shall have unrestricted access to management of the Company. The Board shall have the authority to retain and terminate external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the respective reasonable compensation of these advisors without consulting or obtaining the approval of any officer of the Company. The Company shall provide appropriate funding, as determined by the Board, for the services of these advisors.

4.5 Service on other boards

Directors may serve on the boards of other public companies so long as these commitments do not materially interfere and are compatible with their ability to fulfill their duties as a member of the Board. Directors must advise the Chair in advance of accepting an invitation to serve on the board of another public company.

5. Duties and responsibilities

The Board shall have the specific duties and responsibilities outlined below.

5.1 Strategic planning

a) Strategic plans

The Board has adopted a strategic plan for the Company. At least annually, the Board shall review and, if advisable, approve the Company's strategic planning process and the Company's annual strategic plan. In discharging this responsibility, the Board shall review the plan in light of management's assessment of emerging trends, the competitive environment, the opportunities for the business of the Company, risk issues, and significant business practices and products.

b) Business and capital plans

At least annually, the Board shall review and, if advisable, approve the Company's annual business and capital plans as well as policies and processes generated by management relating to the authorization of major investments and significant allocation of capital.

c) Monitoring

At least annually, the Board shall review management's implementation of the Company's strategic, business and capital plans. The Board shall review and, if advisable, approve any material amendments to, or variances from, these plans.

5.2 Risk management

a) General

At least annually, the Board shall review reports provided by management of principal risks associated with the Company's business and operations, and consider a report from the Audit and Risk Management Committee as to the operation of, and any material deficiencies in these systems.

b) Verification of controls

The Board shall verify that internal, financial, non-financial and business control and management information systems have been established by management.

5.3 Human resource management

a) General

At least annually, the Board shall review a report of the Corporate Governance, Appointments and Remuneration Committee concerning the Company's approach to human resource management and executive compensation.

b) Succession review

At least annually, the Board shall review the succession plans of the Company for the Chairman, the Chief Executive Officer and other executive officers, including the appointment, training and monitoring of such persons.

c) Integrity of senior management

The Board shall, to the extent feasible, satisfy itself as to the integrity of the Chief Executive Officer and other executive officers of the Company and that the Chief Executive Officer and other senior officers strive to create and maintain a culture of integrity throughout the Company.

5.4 Corporate governance

a) General

At least annually, the Board shall review a report of the Corporate Governance, Appointments and Remuneration Committee concerning the Company's approach to corporate governance.

b) Director independence

At least annually, the Board shall review a report of the Corporate Governance, Appointments and Remuneration Committee that evaluates the director independence standards established by the Board and the Board's ability to act independently from management in fulfilling its duties.

c) Ethics reporting

The Board has adopted a written Code of Business Conduct and Ethics (**Code**) applicable to directors, officers and employees of the Company. At least annually, the Board shall review the report of the Corporate Governance, Appointments and Remuneration Committee relating to compliance with, or material deficiencies from, the Code and approve changes it considers appropriate. The Board shall review

reports from the Corporate Governance, Appointments and Remuneration Committee concerning investigations and any resolutions of complaints received under the Code.

d) Board of directors charter review

At least annually, the Board shall review and assess the adequacy of this Charter to ensure compliance with any rules of regulations promulgated by any regulatory body and approve any modifications to this Charter as considered advisable.

5.5 Communications

a) General

The Board has adopted a Disclosure Policy for the Company. At least annually, the Board, in conjunction with the Chief Executive Officer, shall review the Company's overall Disclosure Policy, including measures for receiving feedback from the Company's stakeholders, and management's compliance with such policy. The Board shall, if advisable, approve material changes to the Company's Disclosure Policy.

b) Shareholders

The Company endeavours to keep its shareholders informed of its progress through an annual report, annual information form, quarterly interim reports and periodic press releases. Directors and management meet with the Company's shareholders at the annual meeting and are available to respond to questions at that time. The Company shall maintain a website that is regularly updated and provides investors with relevant information on the Company and the opportunity to communicate with the Company.

The Board shall, on a periodic basis and with the assistance of the officer responsible for investor relations, monitor and review feedback provided by the Company's shareholders and other stakeholders.

The Board shall ensure that this Charter is disclosed on a yearly basis to the Company's shareholders in the Company's management information circular prepared for the annual and general meeting of shareholders and other disclosure documents or on the Company's website.

6. Committees of the Board

The Board has established the following committees: the Audit and Risk Management Committee, the Corporate Governance, Appointments and Remuneration Committee and the Health, Safety, Environment and Sustainability Committee. Subject to applicable law, the Board may establish other Board committees or merge or dispose of any Board committee.

6.1 Committee charters

The Board has approved charters for each Board committee and shall approve charters for each new Board committee. At least annually, each charter shall be reviewed by the Corporate Governance, Appointments and Remuneration Committee and any suggested amendments brought to the Board for consideration and approval.

6.2 Delegation to committees

The Board has delegated to the applicable committee those duties and responsibilities set out in each Board committee's charter.

6.3 Consideration of committee recommendations

As required by applicable law, by applicable committee charter or as the Board may consider advisable, the Board shall consider for approval the specific matters delegated for review to Board committees.

With the assistance of the Audit and Risk Management Committee, the Board shall, among other things:

- a) review and approve the Company's financial statements and managements' discussion and analysis related thereto;
- b) review the audit or review the report prepared by the Company's external auditor and any other matters related to the financial statements that are brought forward by the external auditors;
- c) review the factors identified by management that may affect future financial results; and
- d) review the risks identified by management that could have a material impact on the Company's business and material changes to the Company's risk profile.

With the assistance of the Corporate Governance, Appointments and Remuneration Committee, the Board shall, among other things:

- a) Develop the Company's approach to corporate governance, monitor the disclosure and best practices of comparable and leading companies and review corporate governance issues;
- b) maintain a succession plan for the Company and ensure that the Board and management have the appropriate skills and experience required to succeed in their positions; and
- c) review the effectiveness, size and composition of the Board, taking into consideration the strategic direction of the Company and the current strengths, competence, skills and experience of Board members and directors whose term of office is expiring.

With the assistance of the Corporate Governance, Appointments and Remuneration Committee, the Board shall, among other things:

- a) review and approve the Company's compensation plans and remuneration packages to ensure that such plans are reasonable and provide appropriate incentives to executives and directors;
- b) ensure that remuneration packages for the Chief Executive Officer, key executives and executive directors are properly structured to enhance long-term shareholder value and involve a balance between fixed and incentive pay reflecting individual performance and short and long-term performance objectives appropriate to the Company's circumstances and goals; and
- c) ensure that incentive compensation plans have the overriding purpose of motivating and retaining qualified individuals without being unduly generous and that salaries reflect the requirements of the marketplace and attract and retain the skills and abilities required.

6.4 Board/committee communication

To facilitate communication between the Board and each Board committee, each committee chairman shall provide a report to the Board on material matters considered by the committee at the first Board meeting after the committee's meeting.

7. Management

7.1 Position descriptions for directors

The Board has approved position descriptions for the Chairman and the chairman of each Board committee. At least annually, the Board shall review such position descriptions.

7.2 Position description for CEO

The Board has approved a position description for the Chief Executive Officer, which includes delineating management's responsibilities. The Board has also approved the corporate goals and objectives that the Chief Executive Officer has responsibility for meeting. At least annually, the Board shall review a report of the Corporate Governance, Appointments and Remuneration Committee reviewing this position description and such corporate goals and objectives.

8. Director development and evaluation

Each new director shall participate in the Company's initial orientation program and each director shall participate in the Company's continuing director development programs. At least annually, the Board shall review the Company's initial orientation program and continuing director development programs.

9. Board performance

The Board will at least annually review its performance, taking into account:

- a) the performance of the Board against the requirements of this Charter;
- b) the performance of the Board Committees against the requirements of their respective policies and charters; and
- c) the individual performance of the Chair, the Managing Director and each director.

10. 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 Board, assisted by its committees, directs the affairs of the Company. 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