



## TALISON LITHIUM REPORTS SECOND QUARTER FISCAL 2012 RESULTS

### NEWS RELEASE

**Higher pricing agreed, declining cash operating costs, strong operating cash flow and advancement in growth projects reaffirm Talison's leadership position in the global supply of lithium**

#### SECOND QUARTER HIGHLIGHTS

- 15% price increase secured across the product range from January 1, 2012
- Production of 89,015 tonnes, a 7% year over year increase
- EBITDA margin increased to 24% due to a 10% year over year decline in cash operating costs per tonne
- Strong operating cash flow of A\$12m, compared to (A\$4.3m) for the same period a year ago
- Port congestion in late December 2011 resulted in approximately 38,000 tonnes lithium concentrate being delayed into fiscal Q3, but no change in full fiscal 2012 outlook
- The preliminary engineering study for the Minerals Conversion Plant was completed. The next phase of the project was initiated and a location for the plant has been selected
- Construction of the Stage 2 Expansion of the Greenbushes Lithium Operations remains on schedule and on budget
- Outlook remains positive, with demand for chemical-grade lithium concentrate from new and existing customers remaining solid during Q2

SECOND QUARTER HIGHLIGHTS <i>(in thousands A\$, unless noted otherwise)</i>	Three Months ended December 31 (unaudited)		Year Over Year
	FY12	FY11	% Change
<b>Sales Volume (tonnes lithium concentrate)</b>	75,221	97,559	(23%)
<b>Sales Price (Average US\$/tonne)</b>	US\$310	US\$315	(2%)
<b>Revenue</b>	\$22,686	\$32,810	(31%)
<b>Cash Operating COGS (\$/tonne lithium concentrate)</b>	\$187	\$208	(10%)
<b>EBITDA</b>	\$5,387	\$7,233	(26%)
<b>EBITDA Margin</b>	24%	22%	+169bps
<b>Net Profit</b>	\$5,642	\$5,297	7%
<b>Basic EPS (cents/share)</b>	5.2	5.6	(7%)
<b>Approx. Volumes Sold (t/LCE<sup>(1)</sup>)</b>	11,200	14,500	(23%)
<b>Approx. Production (t/LCE)</b>	13,200	12,400	7%

**Note:**

- (1) LCE means lithium carbonate equivalent.



**Perth, Western Australia, February 10, 2012** – (TSX: TLH) Talison Lithium Limited (“Talison” or the “Company”) today announced results for the second quarter of the 2012 fiscal year<sup>1</sup>.

“We were very pleased with our achievements during the second quarter, in particular the decline in cash operating costs, our strong operating cash flow, the move to the next phase in the development of our Minerals Conversion Plant and the 15% price increase achieved from January 1, 2012.” Peter Oliver, Chief Executive Officer and Managing Director commented. “The delay of some shipments into the third quarter due to unplanned Port shutdowns negatively impacted our financial results for the quarter. However, the results were still pleasing and with the recognition of the delayed sales in the third quarter, our fiscal 2012 expectations have not been affected.”

### SECOND QUARTER FINANCIAL RESULTS

Talison sold 75,221 tonnes of lithium concentrate (approximately 11,200 tonnes LCE) in the second quarter, representing a 23 per cent decline over the corresponding period of fiscal 2011. Sales of lithium concentrate during the six months ended December 31, 2011 represented a 4 per cent increase over the corresponding period of fiscal 2011.

Sales in the quarter were affected by significant congestion at the Port of Bunbury due to berth closures and unplanned Port shutdowns impacting all Port users. This resulted in approximately 38,000 tonnes of Talison’s lithium concentrate sales that were ready at the Port for shipment in early December being delayed into January 2012. These shipments departed early January and will be included in third quarter sales.

Investors are cautioned that sales are made in large shipments that can be irregular in timing and in varying proportions of technical-grade and chemical-grade lithium concentrates. The irregular timing of shipments and varying proportions of technical-grade and chemical-grade lithium concentrates can result in variations in individual quarters between production and sales, the average sales price and average cash operating cost per tonne sold.

Talison generated revenue of A\$22.7 million in the quarter, a 31 per cent decline from the second quarter of fiscal 2011 due to a combination of the shipment delay, and a 4 per cent increase in the value of the A\$ against the US\$ from the second quarter of fiscal 2011.

The Company realized an average sales price per tonne of lithium concentrate of US\$310, a 2 per cent decrease over the second quarter of fiscal 2011, due to a lower proportion of higher value technical-grade products sold during the quarter, compared to the same period in fiscal 2011. Underlying technical-grade prices between the two periods increased by an average of 13% in US\$ terms.

Production volume increased 7 per cent over the second quarter of fiscal 2011 to 89,015 tonnes of lithium concentrate (approximately 13,200 tonnes LCE).

Cash operating cost of goods sold per tonne of lithium concentrate was A\$187, a 10 per cent decline over the second quarter of fiscal 2011 due to the new lithium mineral reserve announced in May 2011 and a 7% increase in the chemical-grade plant yield.

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<sup>1</sup> Information in this press release is in relation to the unaudited condensed consolidated interim financial statements of Talison as at December 31, 2011 and for the three and six months ended December 31, 2011 (collectively, the “Financial Statements”) and should be read in conjunction with Financial Statements. The financial information contained in this press release is derived from the Financial Statements, which were prepared in accordance with International Financial Reporting Standards (“IFRS”). All amounts in this press release are expressed in Australian dollars (“A\$”) unless otherwise identified. References to “C\$” are to Canadian dollars and references to “US\$” are to United States dollars.



EBITDA<sup>2</sup> was A\$5.4 million, reflecting an increase of 169bps in the EBITDA margin to 24 per cent of revenue despite a 4 per cent appreciation in the value of the A\$. A constant exchange rate would have resulted in an EBITDA margin of approximately 27 per cent, reflecting the increase in average sales price and reduction in cash operating cost of goods sold during the quarter.

### SECOND QUARTER OPERATIONS

During the quarter Talison advanced its growth projects.

#### ***Greenbushes Stage 2 Expansion***

The Stage 2 Expansion at the Greenbushes Lithium Operations remains on budget and on schedule. During the quarter, foundations for the new chemical-grade plant were completed, installation of steelwork was nearing completion, and the conveyor belt to the finished product stockpile was in construction. Talison continues to expect commissioning of the Stage 2 Expansion during the fourth quarter of fiscal 2012.



Stage 2 Expansion progress at the Greenbushes Lithium Operations

#### ***Minerals Conversion Plant***

Responding to growing global demand for an additional secure supply in lithium chemicals, Talison is aggressively pursuing its proposed plant to convert lithium minerals into lithium carbonate (“Minerals Conversion Plant”). The preliminary engineering study in relation to the proposed construction of the conversion plant was completed during the second quarter.

The next phase of the project, which includes an engineering study for a 20,000 tonnes per annum lithium carbonate plant and obtaining the required environmental and regulatory approvals, commenced in early calendar 2012. As recently reported, the Kwinana Industrial Area, located 40km south of Perth in Western Australia has been selected as the location for the plant and Talison is currently finalizing tenure arrangements for its preferred site. Talison anticipates making an investment decision on the project by the end of calendar 2012 and is targeting commissioning during 2015.

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<sup>2</sup> The term “EBITDA” is a non-IFRS financial measure. For further information and a reconciliation of EBITDA to its IFRS-compliant income statement, refer to “Non-IFRS Performance Measures” in Management’s Discussion and Analysis of the financial condition and results of operations of Talison Lithium Limited as at and for the interim period ended December 31, 2011 (which can be found on Talison’s SEDAR profile at [www.sedar.com](http://www.sedar.com)).



Discussions with potential customers are continuing positively. As recently reported, Talison has entered into Memoranda of Understandings (MOU) with Sojitz Corporation and Mitsui & Co. Ltd. The MOUs provide a framework on which to discuss on a non-exclusive basis collaborative marketing and distribution of lithium carbonate produced by Talison to customers in Japan.



Location of the proposed Minerals Conversion Plant in the Kwinana Industrial Area

### ***Greenbushes Resource Development and Salares 7 Project***

Due to the encouraging progress in the development of the Minerals Conversation Plant, Talison is accelerating resource drilling at the Greenbushes Lithium Operations. The Company's objective is that lithium mineral reserves will be increased and the mine life extended to support future additional expansions of the lithium concentrate processing plants and a potential doubling in capacity of the minerals conversion plant. Talison expects to invest approximately A\$1.9 million during fiscal 2012 in this resource definition drilling program.

Consequently, Talison is reallocating resources for the balance of fiscal 2012 from the Salares 7 Project. The drilling program at the Salares 7 project will be deferred and the focus will be on the environmental approvals process. This is not expected to affect the overall development timetable for the Salares 7 Project.

### **FISCAL 2012 OUTLOOK**

Talison expects production of lithium concentrate in the third quarter to be in-line with the second quarter of fiscal 2012. Sales of lithium concentrate during the third quarter will include the 38,000 tonnes delayed during the second quarter of fiscal 2012. Sales are expected to materially match production for the nine months ending March 31 2012.

For the full 2012 fiscal year, Talison expects production and sales tonnages to be consistent with the nine months ended March 31, 2012, on an annualized basis.

During the second quarter, Talison negotiated with its customers a 15% price increase across its entire product range. The price increase applies to sales of chemical-grade lithium concentrate in the third and fourth quarter of fiscal 2012 and for technical grade lithium concentrate sales for the full 2012 calendar year.



## SECOND QUARTER FINANCIAL RESULTS CONFERENCE CALL

Talison will host a conference call to discuss the financial results on Monday, February 13, 2012 at 8:30 a.m. (EST). The call is being webcast by Thomson Reuters and can be accessed at [www.earnings.com](http://www.earnings.com) or at Talison's website, [www.talisonlithium.com](http://www.talisonlithium.com).

The unaudited interim consolidated financial statements and Management's Discussion and Analysis of the financial condition and results of operations of Talison Lithium Limited as at and for the interim period ended December 31, 2011 are accessible at Talison's website, [www.talisonlithium.com](http://www.talisonlithium.com).

### Teleconference call details are as follows:

<i>North America:</i>	+1 (800) 299-8538
<i>International:</i>	+1 (617) 786-2902
<i>Participant Code:</i>	27020177
<i>Chairperson:</i>	Peter Oliver, Chief Executive Officer and Managing Director

### Replay

<i>Available from:</i>	February 13, 2012, 10:30 a.m. (EST)
<i>Available to:</i>	February 20, 2012
<i>Dial In:</i>	+1 (888) 286-8010
<i>International:</i>	+1 (617) 801-6888
<i>Passcode:</i>	44937066

## ABOUT TALISON

Talison is a leading global producer of lithium. Talison mines and processes the lithium bearing mineral spodumene at the Greenbushes Lithium Operations in Western Australia. In addition, Talison explores for lithium at the Salares 7 lithium project made up of seven salars (brine lakes and surrounding concessions) located in Region III, Chile. Talison has an extensive, well established global customer network and a leading position in the growing Chinese market.

For further information, please contact Gary Dvorchak, CFA, Phone +1 (310) 954-1123 or email [gary.dvorchak@icrinc.com](mailto:gary.dvorchak@icrinc.com)



## FINANCIAL STATEMENTS

INCOME STATEMENT	Three Months Ended December 31, 2011 (Unaudited) A\$'000	Three Months Ended December 31, 2010 (Unaudited) A\$'000	Six Months Ended December 31, 2011 (Unaudited) A\$'000	Six Months Ended December 31, 2010 (Unaudited) <sup>(1)</sup> A\$'000
Sales revenue .....	22,686	32,810	48,565	53,882
Operating costs .....	(14,097)	(21,442)	(30,691)	(34,677)
Other income / (expenses) .....	(3,202)	(4,135)	(6,361)	(7,202)
<b>EBITDA<sup>(3)</sup></b>	<b>5,387</b>	<b>7,233</b>	<b>11,513</b>	<b>12,003<sup>(2)</sup></b>
Depreciation and amortization .....	(725)	(1,047)	(1,413)	(1,867)
Net financing income / (costs) .....	589	(1,186)	1,446	(5,045)
Net realized US\$ hedging gain .....	975	677	3,023	637
Net realized foreign exchange gain / (loss) .....	581	5,746	1,012	9,195
Net fair value gain/(loss) on financial assets and liabilities .....	1,065	(3,093)	(5,354)	2,974
Income tax (expense) / benefit .....	(2,230)	(3,033)	(2,978)	(6,726)
<b>Net profit/(loss) for the period</b>	<b>5,642</b>	<b>5,297</b>	<b>7,249</b>	<b>11,171</b>
Basic earnings per share (cents/share) <sup>(4)</sup> .....	5.2	5.6	6.7	15.1
Diluted earnings per share (cents/share) <sup>(4)</sup> .....	5.2	5.4	6.7	14.6
Basic weighted average number of shares .....	107,771,151	94,484,098	107,751,096	74,018,163

## Notes:

- (1) The financial results for the six months ended December 31, 2010 are comprised of the results of Talison for the period from August 12, 2010 to December 31, 2010 (i.e., post-Reorganization) and the carve-out results of the Greenbushes Lithium Operations for the period from July 1, 2010 to August 11, 2010 (i.e., pre-Reorganization). Readers are cautioned that the results for the period from July 1, 2010 to August 11, 2010 may not be reflective of the ongoing affairs of Talison.
- (2) EBITDA for the six months ended December 31, 2010 included A\$1.6 million in non-recurring Reorganization costs.
- (3) EBITDA is a non IFRS financial measure. For a reconciliation of EBITDA to its IFRS compliant income statement, see "Non-IFRS Performance Measures".
- (4) Basic and diluted earnings per share have been calculated based on the weighted average number of shares on issue. For the three and six months ended December 31, 2011, the weighted average number of shares includes both the outstanding ordinary shares of Talison adjusted to remove ordinary shares held by the Talison Long Term Incentive Plan Trust which is consolidated under IFRS, and the exchangeable shares of Talison Lithium Exchangeco Limited, an indirect wholly-owned subsidiary of Talison that are exchangeable (on a one-for-one basis) for ordinary shares of Talison. For the three and six months ended December 31, 2010, the weighted average number of shares includes the outstanding ordinary shares of Talison adjusted to remove ordinary shares held by the Talison Long Term Incentive Plan Trust which is consolidated under IFRS, the exchangeable shares of Talison Lithium Exchangeco Limited that are exchangeable (on a one-for-one basis) for ordinary shares of Talison, and the ordinary shares of Talison Minerals adjusted for the Talison Minerals share consolidation which occurred as part of the Reorganization.



## Talisson Lithium Reports Fiscal Q2 2012 Results

STATEMENT OF FINANCIAL POSITION	As at December 31, 2011 (Unaudited) A\$'000	As at June 30, 2011 (Audited) A\$'000
<b>Assets</b>		
Cash and cash equivalents .....	84,287	102,605
Trade and other receivables .....	13,773	21,543
Inventories .....	19,874	11,182
Derivative financial instruments .....	4,410	10,205
Property, plant and equipment .....	127,078	95,215
Exploration and evaluation assets .....	59,467	61,714
<b>Total assets</b> .....	<b>308,889</b>	<b>302,464</b>
<b>Liabilities</b>		
Trade and other payables .....	12,455	12,380
Interest-bearing liabilities .....	28,326	29,243
Tax payable .....	3,970	-
Provisions .....	14,724	14,668
Derivative financial instruments .....	160	-
Deferred tax liabilities .....	8,552	10,622
<b>Total liabilities</b> .....	<b>68,187</b>	<b>66,913</b>
<b>Shareholders' equity</b>	<b>240,702</b>	<b>235,551</b>

	As at December 31, 2011 (Unaudited) A\$'000	As at June 30, 2011 (Audited) A\$'000
<b>Outstanding number of shares</b>		
Ordinary shares of Talison .....	111,542,053	110,527,347
Exchangeable shares of Talison Lithium Exchangeco Limited <sup>(1)</sup> .....	528,465	1,494,239
Shares held in trust <sup>(2)</sup> .....	(4,299,367)	(4,299,367)
<b>Total outstanding number of shares</b>	<b>107,771,151</b>	<b>107,722,219</b>

Notes:

- (1) The exchangeable shares of Talison Lithium Exchangeco Limited are exchangeable (on a one-for-one basis) for ordinary shares of Talison.
- (2) On June 7, 2011, Talison Lithium established the Incentive Plan Trust. Talison Lithium issued 3,862,767 ordinary shares to the Incentive Plan Trust and the Incentive Plan Trust purchased 436,600 ordinary shares of Talison Lithium on-market.

### **Cautionary Note Regarding Forward-Looking Statements**

Certain information contained in this press release, including any information as to Talison's mineral reserve and mineral resource estimates, strategy, projects, plans, prospects, future outlook, anticipated events or results or future financial or operating performance, may constitute "forward-looking information" within the meaning of Canadian securities laws. All statements, other than statements of historical fact, constitute forward-looking information. Forward-looking information can often, but not always, be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "predicts", "potential", "continue" or "believes", or variations (including negative variations) of such words, or statements that certain actions, events or results "may", "could", "would", "should", "might", "potential to", or "will" be taken, occur or be achieved or other similar expressions concerning matters that are not historical facts. The purpose of forward-looking information is to provide the reader with information about management's expectations and plans. Readers are cautioned that forward-looking statements are not guarantees of future performance. All forward-looking statements made or incorporated in this press release are qualified by these cautionary statements.

Forward-looking statements are necessarily based on a number of factors, estimates and assumptions that, while considered reasonable by Talison, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Such factors, estimates and assumptions include, but are not limited to: anticipated financial and operating performance of Talison, its subsidiaries and their respective projects; Talison's market position; future prices of lithium or lithium concentrates; estimation of mineral reserves and mineral resources; realization of mineral reserve and mineral resource estimates; timing, amount and costs of estimated future production; grade, quality and content of concentrate produced; sale of production; capital, operating and exploration expenditures; costs and timing of the expansion of the Greenbushes Lithium Operations; exploration and development of the Salares 7 lithium project; costs and timing of future exploration; requirements for additional capital; government regulation of exploration, development and mining operations; environmental risks; reclamation and rehabilitation expenses; title disputes or claims; absence of significant risks relating to Talison's mining operations; the costs of Talison's hedging policy; sales risks related to China; currency; interest rates, and limitations of



## Talison Lithium Reports Fiscal Q2 2012 Results

insurance coverage. While Talison considers these factors, estimates and assumptions to be reasonable based on information currently available to it, they may prove to be incorrect and actual results may vary.

Readers are cautioned that forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Talison and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such risk factors include, among others, those described in the Financial Statements and under the heading "Risk Factors" in the annual information form of Talison for the year ended June 30, 2011 dated September 23, 2011, each of which can be found on Talison's SEDAR profile at [www.sedar.com](http://www.sedar.com). While Talison considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect and actual results may vary.

Although Talison has attempted to identify statements containing important factors that could cause actual actions, event or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking information contained herein is made as of the date of this press release based on the opinions and estimates of management on the date statements containing such forward-looking information are made. Except as required by law, Talison disclaims any obligation to update any forward-looking information, whether as a result of new information, estimates or opinions, future events or results or otherwise. 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.