



# **TALISON LITHIUM LIMITED**

**ACN 140 122 078**

**NOTICE OF MEETING**

**AND**

**EXPLANATORY MEMORANDUM**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

**IN RESPECT OF THE**

**ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON DECEMBER 2, 2010**

**AS AT AND DATED NOVEMBER 2, 2010**

## **IMPORTANT INFORMATION**

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay.





**TALISON LITHIUM LIMITED**  
**ACN 140 122 078**

**Notice of Meeting**  
**Annual General Meeting of Shareholders**  
**to be held on December 2, 2010**

Notice is hereby given that the annual general meeting (the “**Meeting**”) of the shareholders of **TALISON LITHIUM LIMITED** (the “**Company**”) will be held at the Sheraton Hotel, 207 Adelaide Terrace, Perth, Western Australia at 9:00 a.m. (Perth time) on December 2, 2010 for the following purposes:

- (a) to present the audited financial statements of the Company as at the financial year ended June 30, 2010 and the auditor’s report thereon;
- (b) to re-appoint the auditor of the Company;
- (c) to re-elect the directors of the Company; and
- (d) to transact such other business as may properly come before the Meeting or any adjournment thereof.

The specific details of the foregoing matters to be put before the Meeting are set forth in the Explanatory Memorandum and Management Information Circular accompanying this Notice of Meeting.

Holders of ordinary shares (“**Ordinary Shares**”) of the Company are invited to attend the Meeting. *Registered holders of Ordinary Shares* who are unable to attend the Meeting in person are requested to complete, date and sign the enclosed Form of Proxy and send it in the enclosed envelope or otherwise to Computershare Investor Services Inc., 100 University Avenue, 9th Floor, Toronto, Ontario, Canada M5J 2Y1 (facsimile: +416-263-9524 or +866-249-7775).

*Non-registered holders of Ordinary Shares* who receive these materials through their broker or other intermediary should complete and send the Form of Proxy in accordance with the instructions provided by their broker or intermediary.

To be effective, a proxy must be received by Computershare Investor Services Inc. not later than 5:00 p.m. (Toronto time) on November 29, 2010 or, in the case of any adjournment of the Meeting, not later than 5:00 p.m. (Toronto time) on the date that is the third business day preceding the date of the adjournment.

Holders of exchangeable shares (“**Exchangeable Shares**”) of Talison Lithium Exchangeco Limited, an indirect wholly-owned subsidiary of the Company, are invited to attend the Meeting. Voting instructions for holders of Exchangeable Shares to vote at the Meeting are set out under the heading “Voting by Proxies — Appointment and Revocation of Designees for Holders of Exchangeable Shares” in the Explanatory Memorandum and Management Information Circular accompanying this Notice of Meeting. To have their votes counted at the Meeting, holders of Exchangeable Shares must complete, date and sign the enclosed

Voting Direction Form and deliver it in the enclosed envelope or otherwise to Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, Toronto, Ontario, Canada M5J 2Y1 (facsimile: +416-263-9524 or +866-249-7775) not later than 5:00 p.m. (Toronto time) on November 29, 2010 or, in the case of any adjournment of the Meeting, not later than 5:00 p.m. (Toronto time) on the date that is the third business day preceding the date of the adjournment.

Dated as of November 2, 2010.

By Order of the Board of Directors

*“Lorry Mignacca”*

Chief Financial Officer and  
Company Secretary



## TALISON LITHIUM LIMITED

### **Explanatory Memorandum and Management Information Circular for the Annual General Meeting of Shareholders to be held on December 2, 2010**

Talisson Lithium Limited (“**Talisson**” or the “**Company**”) is a reporting issuer in certain provinces of Canada. Accordingly, pursuant to the requirements of National Instrument 51-102 – *Continuous Disclosure Obligations*, the following disclosure is required to be included in this Explanatory Memorandum and Management Information Circular (the “**Circular**”).

#### **SOLICITATION OF PROXIES**

**This Circular is furnished in connection with the solicitation of proxies, by or on behalf of management of the Company, for use at the 2010 annual general meeting of shareholders of the Company (the “Meeting”) to be held at the Sheraton Hotel, 207 Adelaide Terrace, Perth, Western Australia at 9:00 a.m. (Perth time) on December 2, 2010 or at any adjournment thereof for the purposes set forth in the Notice of Meeting accompanying this Circular.**

The Company currently has outstanding one class of ordinary shares (the “**Ordinary Shares**”). In addition, the Company also has outstanding one special voting share (the “**Special Voting Share**”), through which holders of exchangeable shares (the “**Exchangeable Shares**”) of Talisnon Lithium Exchangeco Limited (“**Exchangeco**”), an indirect wholly-owned subsidiary of the Company, may exercise voting rights with respect to the Company. The Exchangeable Shares were issued in conjunction with the September 22, 2010 acquisition of Salares Lithium Inc. (“**Salares**”) by the Company. In connection with the acquisition of Salares, certain former holders of common shares of Salares had the right to elect to receive Exchangeable Shares in lieu of Ordinary Shares. The Special Voting Share provides a mechanism for holders of Exchangeable Shares, which are intended to be substantially the economic equivalent of the Ordinary Shares, to vote with the holders of the Ordinary Shares. The Special Voting Share is entitled to one vote for each Exchangeable Share outstanding (not owned by the Company or its affiliates) and generally is entitled to vote together with the Ordinary Shares on all matters on which the Ordinary Shares are entitled to vote. This structure provides voting rights to the holders of Exchangeable Shares through a voting trust arrangement as more particularly described below under the heading “Voting by Proxies — Appointment and Revocation of Designees for Holders of Exchangeable Shares”. As holder of the Special Voting Share, Computershare Trust Company of Canada (the “**Trustee**”), has the right to cast a number of votes equal to the number of outstanding Exchangeable Shares (not held by the Company and its affiliates) but will only cast a number of votes equal to the number of Exchangeable Shares for which it has received voting instructions from the owners of record of those Exchangeable Shares (not held by the Company and its affiliates) on the Record Date (as defined below under “Record Date and Meeting Date”).

The board of directors of the Company (the “**Board of Directors**” or the “**Board**”) recommends that holders of Ordinary Shares and/or Exchangeable Shares read in full this Circular in conjunction with the accompanying Notice of Meeting.

It is expected that the solicitation of proxies will be primarily by mail, but proxies may also be solicited personally, by advertisement or telephone, by directors, officers or employees of the Company without special compensation, or by the Company’s branch registrar and transfer agent, Computershare Investor Services Inc., at nominal cost. Brokers and other intermediaries holding Ordinary Shares and/or Exchangeable Shares in their names for others shall be reimbursed for their reasonable charges and expenses in forwarding proxies and proxy materials to the beneficial owners of such Ordinary Shares and/or Exchangeable Shares. The cost of solicitation will be borne by the Company.

## VOTING BY PROXIES

### Appointment and Revocation of Proxies for Holders of Ordinary Shares

#### *Appointment of Proxyholder*

The persons designated by management of the Company in the enclosed Form of Proxy are Mr. Peter Oliver, Chief Executive Officer and Managing Director of the Company, and Mr. Peter Robinson, Chairman of the Board of Directors. **Each holder of Ordinary Shares has the right to appoint as proxyholder up to two persons (who need not be shareholders of the Company) other than the persons designated by management of the Company in the enclosed Form of Proxy to attend and act on such shareholder’s behalf at the Meeting or at any adjournment thereof.** Such right may be exercised by inserting the name(s) of the person or the company in the blank space provided in the enclosed Form of Proxy or by completing another form of proxy.

In the case of a *registered holder of Ordinary Shares*, the completed, dated and signed Form of Proxy should be sent in the enclosed envelope or otherwise to Computershare Investor Services Inc., 100 University Avenue, 9th Floor, Toronto, Ontario, Canada M5J 2Y1 (facsimile: +416-263-9524 or +866-249-7775).

In the case of a *non-registered holder of Ordinary Shares* who receives these materials through their broker or other intermediary, such holder should complete and send the Form of Proxy in accordance with the instructions provided by such holder’s broker or other intermediary.

To be effective, a proxy must be received by Computershare Investor Services Inc. not later than 5:00 p.m. (Toronto time) on November 29, 2010 or, in the case of any adjournment of the Meeting, not later than 5:00 p.m. (Toronto time) on the date that is the third business day preceding the date of the adjournment.

A Form of Proxy can be executed by a holder of Ordinary Shares or by his attorney duly authorized in writing, or, if the holder of Ordinary Shares is a company, under its corporate seal by an officer or attorney thereof duly authorized. Attorneys may be required to provide documentation evidencing their power to sign a Form of Proxy within the capacity stated.

#### *Revocation of Proxy*

A holder of Ordinary Shares who has given a proxy may revoke it prior to its use in the following manner:

- (a) by depositing an instrument in writing (i) signed by the holder or by the holder's attorney who is duly authorized in writing, or (ii) if the holder is a company, signed by a duly authorized officer or attorney of the holder in compliance with applicable law; or
- (b) by transmitting by facsimile a revocation (i) signed by the holder or by the holder's attorney who is duly authorized in writing, or (ii) if the holder is a company, signed by a duly authorized officer or attorney of the holder in compliance with applicable law,

in each case, to the office of Computershare Investor Services Inc. (facsimile: +416-263-9524 or +866-249-7775) at any time up to 5:00 p.m. (Toronto time) on December 1, 2010 or, in the case of any adjournment of the Meeting, up to 5:00 p.m. (Toronto time) on the last business day preceding the day of the adjournment. In addition, a revocation may be delivered to the Company at any time prior to the start of the Meeting or any adjournment thereof or with the Chair of the Meeting on the day of, but prior to the start of, the Meeting or any adjournment thereof. A holder of Ordinary Shares may also revoke a proxy in any other manner permitted by law.

### ***Voting of Proxies***

On any ballot that may be called for, the Ordinary Shares represented by a properly executed proxy given in favour of the persons designated by management of the Company in the enclosed Form of Proxy will be voted in accordance with the instructions given on the ballot and, if the shareholder specifies a choice with respect to any matter to be acted upon, the Ordinary Shares will be voted accordingly. **If no choice is specified in the Form of Proxy with respect to a particular matter, the Ordinary Shares represented by the Form of Proxy will be voted FOR such matter.**

The enclosed Form of Proxy confers discretionary authority upon the persons named therein to decide how to vote with respect to amendments to matters identified in the accompanying Notice of Meeting and with respect to other matters which may properly come before the Meeting or any adjournment thereof. As of the date of this Circular, management of the Company is not aware of any such amendment or other matter to come before the Meeting. However, if any amendments to matters identified in the accompanying Notice of Meeting or any other matters which are not now known to management should properly come before the Meeting or any adjournment thereof, the Ordinary Shares represented by properly executed Forms of Proxy given in favour of the persons designated by management of the Company in the enclosed Form of Proxy will be voted on such matters pursuant to such discretionary authority.

### **Appointment and Revocation of Designees for Holders of Exchangeable Shares**

#### ***Voting Information for Holders of Exchangeable Shares***

Pursuant to a voting and exchange trust agreement (the "**Voting and Exchange Trust Agreement**") dated September 22, 2010 between the Company, Exchangeco and the Trustee, the Trustee agreed to act as trustee with respect to the voting rights attached to the Special Voting Share. Pursuant to the Voting and Exchange Trust Agreement and the mechanism provided for under the Special Voting Share, holders of Exchangeable Shares are entitled to vote at meetings of holders of Ordinary Shares. The Exchangeable Shares (and ancillary rights thereto) also provide the holders thereof with dividend and other rights which are substantially the economic equivalent of the Ordinary Shares.

The Exchangeable Shares are non-voting (except as required by the provisions of the Exchangeable Shares or by applicable law) with respect to Exchangeco. Therefore, this Circular relates solely to the Company. There will not be a separate annual meeting of shareholders for Exchangeco. Holders of

Exchangeable Shares will not receive notice of an annual meeting of shareholders of Exchangeco, nor will they receive an information circular or proxy for an annual meeting of the shareholders of Exchangeco.

As the Exchangeable Shares are designed to be the economic equivalent of the Ordinary Shares and the value of the Exchangeable Shares, determined through dividend and dissolution entitlements and capital appreciation, is determined by reference to the consolidated financial performance and condition of the Company rather than Exchangeco, information regarding Exchangeco (except as expressly included in the Company's public disclosure and financial disclosure) is not relevant to holders of Exchangeable Shares. Holders of Exchangeable Shares effectively have a participating right in the Company and not a participating right in Exchangeco and it is therefore information relating to the Company that is directly relevant to the holders of Exchangeable Shares in connection with the matters to be transacted at the Meeting.

If you hold Exchangeable Shares, please see "Voting Instructions" below and the enclosed Voting Direction Form for details on how to vote your Exchangeable Shares in respect of matters to be acted on at the Meeting.

### ***Appointment of Designee***

As discussed above, holders of Exchangeable Shares (other than the Company and its affiliates) are entitled to vote at meetings of holders of Ordinary Shares through the Voting and Exchange Trust Agreement. Holders of Exchangeable Shares who do not hold their Exchangeable Shares in their own names are not entitled to instruct the Trustee, Computershare Trust Company of Canada, as to how to exercise voting rights at the Meeting. If you are the registered holder of Exchangeable Shares you may provide voting instructions to the Trustee by completing and returning the enclosed Voting Direction Form. The Trustee will vote your shares in accordance with your duly executed instructions received not later than 5:00 p.m. (Toronto time) on November 29, 2010 or, in the case of any adjournment of the Meeting, not later than 5:00 p.m. (Toronto time) on the date that is the third business day preceding the date of the adjournment. If you do not send instructions (and do not otherwise instruct the Trustee to appoint you as its designee to attend the Meeting to vote in person to exercise your votes as discussed below), the Trustee will not be able to vote your Exchangeable Shares.

The persons designated by management of the Company in the enclosed Voting Direction Form are Mr. Peter Oliver, Chief Executive Officer and Managing Director of the Company, and Mr. Peter Robinson, Chairman of the Board of Directors. **Each holder of Exchangeable Shares has the right to appoint as designee a person or company (who need not be a holder of Exchangeable Shares) other than the Trustee or the persons designated by management of the Company in the enclosed Voting Direction Form to attend and act on such shareholder's behalf at the Meeting or at any adjournment thereof.** Such right may be exercised by inserting the name(s) of the person or the company in the blank space provided in the enclosed Voting Direction Form. Completed, dated and signed Voting Direction Forms should be delivered in the enclosed envelope or otherwise to Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, Toronto, Ontario, Canada M5J 2Y1 (facsimile: +416-263-9524 or +866-249-7775) not later than 5:00 p.m. (Toronto time) on November 29, 2010 or, in the case of any adjournment of the Meeting, not later than 5:00 p.m. (Toronto time) on the date that is the third business day preceding the date of the adjournment.

A Voting Direction Form can be executed by the holder of Exchangeable Shares or his attorney duly authorized in writing, or, if the holder of Exchangeable Shares is a corporation, under its corporate seal by an officer or attorney thereof duly authorized. Attorneys may be required to provide documentation evidencing their power to sign a Voting Direction Form within the capacity stated.

### ***Revocation of Designee***

A holder of Exchangeable Shares who has appointed a designee may revoke such appointment prior to its use in the following manner:

- (a) by depositing an instrument in writing (i) signed by the holder or by the holder's attorney who is duly authorized in writing, or (ii) if the holder is a company, signed by a duly authorized officer or attorney of the holder in compliance with applicable law; or
- (b) by transmitting by facsimile a revocation (i) signed by the holder or by the holder's attorney who is duly authorized in writing, or (ii) if the holder is a company, signed by a duly authorized officer or attorney of the holder in compliance with applicable law,

in each case, to the office of Computershare Trust Company of Canada (facsimile: +416-263-9524 or +866-249-7775) at any time up to 5:00 p.m. (Toronto time) on December 1, 2010 or, in the case of any adjournment of the Meeting, up to 5:00 p.m. (Toronto time) on the last business day preceding the day of the adjournment. In addition, a revocation may be delivered to the Company at any time prior to start of the Meeting or any adjournment thereof or with the Chair of the Meeting on the day of but prior to the start of the Meeting or any adjournment thereof. A holder of Exchangeable Shares may also revoke a proxy in any other manner permitted by law.

### ***Voting Instructions***

On any ballot that may be called for, the Exchangeable Shares represented by a properly executed Voting Direction Form given in favour of the persons designated by management of the Company in the enclosed Voting Direction Form will be voted in accordance with the instructions given on the ballot and, if the shareholder specifies a choice with respect to any matter to be acted upon, the Exchangeable Shares will be voted accordingly. **If no choice is specified in the Voting Direction Form with respect to a particular matter, the Exchangeable Shares represented by the Voting Direction Form will be voted FOR such matter.**

The enclosed Voting Direction Form confers discretionary authority upon the persons named therein to decide how to vote with respect to amendments to matters identified in the accompanying Notice of Meeting and with respect to other matters which may properly come before the Meeting or any adjournment thereof. As of the date of this Circular, management of the Company is not aware of any such amendment or other matter to come before the Meeting. However, if any amendments to matters identified in the accompanying Notice of Meeting or any other matters which are not now known to management should properly come before the Meeting or any adjournment thereof, the Exchangeable Shares represented by properly executed Voting Direction Forms given in favour of the persons designated by management of the Company in the enclosed Voting Direction Form will be voted on such matters pursuant to such discretionary authority.

A nominee for the Trustee will be present at the Meeting to receive votes from registered holders of Exchangeable Shares that personally attend the Meeting and who have not otherwise voted as described herein. For this purpose, the Trustee intends to appoint Computershare Investor Services Pty Ltd as its nominee to attend at the Meeting.

## **BENEFICIAL HOLDERS OF ORDINARY SHARES AND BENEFICIAL HOLDERS OF EXCHANGEABLE SHARES**

**The information set forth in this section is of significant importance to persons who beneficially own Ordinary Shares or Exchangeable Shares, as a substantial number of such persons do not hold such shares in their own names.**

Only registered holders of Ordinary Shares and registered holders of Exchangeable Shares, or the persons they appoint as their proxies under the Form of Proxy and persons designated to vote the voting rights associated with the Exchangeable Shares under the Voting Direction Form, are permitted to vote at the Meeting. However, in many cases, Ordinary Shares or Exchangeable Shares owned by a person (a “**Beneficial Shareholder**”) are registered either (a) in the name of an intermediary (such as a bank, trust company, securities dealer or broker, or trustee or administrator) that the Beneficial Shareholder deals with in respect of the Ordinary Shares or Exchangeable Shares so owned, or (b) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc.) of which the intermediary is a participant.

Applicable Canadian regulatory requirements require intermediaries to forward the Meeting materials (e.g., the Notice of Meeting, the Circular, the Form of Proxy, the Voting Direction Form, etc.) to Beneficial Shareholders unless a Beneficial Shareholder has waived the right to receive them. Very often, intermediaries will use service companies to forward the Meeting materials to Beneficial Shareholders. Generally, Beneficial Shareholders who have not waived the right to receive Meeting materials will either:

- (a) be given a form of proxy which has already been signed by the intermediary (typically by a facsimile stamped signature), which is restricted as to the number and class of securities beneficially owned by the Beneficial Shareholder but which is not otherwise completed. This form of proxy is not required to be signed by the non-registered holder when submitting the proxy because the intermediary has already signed the form of proxy. In this case, the Beneficial Shareholder who wishes to vote by proxy should otherwise properly complete the form of proxy and deliver it as specified; or
- (b) be given a form of proxy which is not signed by the intermediary and which, when properly completed and signed by the Beneficial Shareholder and returned to the intermediary or its service company, will constitute voting instructions (often called a “voting instruction form”) which the intermediary must follow. Typically the Beneficial Shareholder will also be given a page of instructions which contains a removable label containing a bar code and other information. In order for the form of proxy to validly constitute a voting instruction form, the Beneficial Shareholder must remove the label from the instructions and affix it to the voting instruction form, properly complete and sign the voting instruction form and submit it to the intermediary or its service company in accordance with the instructions of the intermediary or its service company.

In either case, the purpose of this procedure is to permit Beneficial Shareholders to direct the voting of the Ordinary Shares or Exchangeable Shares they beneficially own. Should a Beneficial Shareholder, who receives either form of proxy, wish to vote at the Meeting in person, the Beneficial Shareholder should strike out the persons named in the form of proxy and insert the Beneficial Shareholder’s name in the blank space provided. **Beneficial Shareholders should carefully follow the instructions provided by their intermediary including those regarding when and where the form of proxy or the voting instruction form is to be delivered.**

## RECORD DATE AND MEETING DATE

The Board of Directors has fixed (a) 5:00 p.m. (Perth time) on November 2, 2010 as the time and date which entitles holders of Ordinary Shares and holders of Exchangeable Shares to receive the Notice of Meeting (the “**Notice Date**”), and (b) 5:00 p.m. (Toronto time) on November 30, 2010 as the time and date which entitles holders of Ordinary Shares and holders of Exchangeable Shares to vote at the Meeting pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Commonwealth of Australia) on the basis of one vote for each Ordinary Share and one vote for each Exchangeable Share held as at 5:00 p.m. (Toronto time) on November 30, 2010 on each matter to be acted upon at the Meeting (the “**Record Date**”).

## VOTING SECURITIES

The Ordinary Shares are listed on the Toronto Stock Exchange (the “**TSX**”) under the symbol “**TLH**”. The Exchangeable Shares are not listed on any stock exchange. Each Exchangeable Share (not held by the Company or its affiliates) is exchangeable for one Ordinary Share.

As at the Notice Date, the Company had issued and outstanding 90,304,446 Ordinary Shares, each carrying the right to one vote per share, and one Special Voting Share entitled to 4,181,327 votes in respect of the 4,181,327 Exchangeable Shares outstanding as at the Notice Date. Through the mechanism provided for under the Special Voting Share, each holder of Exchangeable Shares is entitled to one vote for each Exchangeable Share held. As at the Notice Date, there were 4,181,327 Exchangeable Shares outstanding (not held by the Company and its affiliates). Therefore, as at the Notice Date, the total number of votes which may be cast at the Meeting is 94,485,773.

Except as otherwise noted in this Circular, a simple majority of the votes cast collectively by holders of Ordinary Shares and holders of Exchangeable Shares at the Meeting, whether in person, by proxy or otherwise, will constitute approval of any matter submitted to a vote.

## PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and executive officers of the Company, other than as set out in the table below, as at November 2, 2010, no person or company beneficially owned, or controlled or directed, directly or indirectly, 10% or more of the voting rights attached to (a) the issued and outstanding Ordinary Shares, or (b) the aggregate number of issued and outstanding Ordinary Shares and Exchangeable Shares.

<u>Principal Shareholder</u>	<u>Number of Ordinary Shares Beneficially Owned<sup>(1)</sup></u>	<u>Percentage of Outstanding Ordinary Shares Beneficially Owned</u>	<u>Number of Ordinary Shares and Exchangeable Shares Beneficially Owned<sup>(1)</sup></u>	<u>Percentage of Outstanding Ordinary Shares and Exchangeable Shares Beneficially Owned</u>
Resources Capital Fund IV L.P. .	26,398,222	29.2%	26,398,222	27.9%
Resources Capital Fund V L.P. ....	14,987,505	16.6%	14,987,505	15.9%
Mineral Investors, L.P. ....	12,487,388	13.8%	12,487,388	13.2%
Triumph II Investments (Ireland) Limited .....	11,270,431	12.5%	11,270,431	11.9%
DBSO Du II LLC .....	9,114,909	10.1%	9,114,909	9.7%

Note:

(1) Based on publicly available information.

## MATTERS TO BE ACTED UPON AT THE MEETING

### 1. Presentation of Financial Statements

The audited financial statements of the Company as at the financial year ended June 30, 2010 and report of the auditor thereon will be presented at the Meeting. A copy of the Company's financial report for the financial year ended June 30, 2010 is attached as Appendix "B" to this Circular and is available on the Company's website at [www.talisonlithium.com](http://www.talisonlithium.com).

No vote will be taken on the financial statements at the Meeting. Shareholders will be given the opportunity to ask questions of the Board of Directors and the auditor of the Company regarding the financial statements and the auditor's report at the Meeting.

### 2. Re-appointment of Auditor

KPMG is the current auditor of the Company and was first appointed as auditor of the Company at the inception of the Company on October 22, 2009. Pursuant to section 327B of the *Corporations Act 2001* (Commonwealth of Australia) (the "**Corporations Act**"), at the Meeting, shareholders will be requested to re-appoint KPMG as auditor of the Company to hold office until a successor is appointed. The text of the resolution in respect of the re-appointment of KPMG as auditor of the Company is set forth in Schedule "A" to this Circular.

**In the absence of a contrary instruction, the persons designated by management of the Company in the enclosed Form of Proxy and Voting Direction Form intend to vote FOR the re-election of KPMG as auditor of the Company to hold office until a successor is appointed.** Management does not contemplate that KPMG will be unable to serve as auditor of the Company, but if that should occur for any reason prior to the Meeting, the Ordinary Shares and the Exchangeable Shares represented by properly executed proxies given in favour of such nominee(s) may be voted by the persons designated by management of the Company in the enclosed Form of Proxy and/or Voting Direction Form, in their discretion, in favour of another nominee.

### 3. Re-election of Directors

The number of directors to be elected at the Meeting is seven. In accordance with Article 47(c) of the Constitution of the Company, a director appointed pursuant to a resolution of the Board of Directors must retire at the Company's next annual general meeting of shareholders. All of Company's current directors — Messrs. Peter Oliver, Peter Robinson, Ronnie Beevor, Mason Hills, Mark Smith, David Shaw and Frank Wheatley — being eligible for re-election, offer themselves for re-election at the Meeting. The texts of the resolutions in respect of the re-election of the director nominees are set forth in Schedules "B" through "H" to this Circular.

**In the absence of a contrary instruction, the persons designated by management of the Company in the enclosed Form of Proxy and Voting Direction Form intend to vote FOR the election as director of each of the proposed nominees whose names are set forth below.**

#### *Director Nominees*

The following table sets forth information with respect to the director nominees, including (a) the number of Ordinary Shares and Exchangeable Shares beneficially owned, directly or indirectly, or over which control or direction was exercised, by each such nominee or by such nominee's associates or affiliates as at November 2, 2010, and (b) the number of Ordinary Shares issuable upon the exercise of options and warrants of the Company beneficially owned, directly or indirectly, or over which control or direction

was exercised, by such person or the person's associates or affiliates as at November 2, 2010. Such information, not being within the knowledge of the Company, has been furnished by the respective proposed director nominees individually.

<b>Name and Place of Residence</b>	<b>Principal Occupation</b>	<b>Director Since</b>	<b>Ordinary Shares and Exchangeable Shares<sup>(1)</sup></b>	<b>Ordinary Shares issuable upon exercise of Options and Warrants</b>
<b>DIRECTORS<sup>(3)</sup></b>				
<b>PETER OLIVER</b> .....	Chief Executive Officer and Managing Director of the Company	August 4, 2010	82,878	1,100,000 <sup>(2a)</sup>
<b>PETER ROBINSON</b> <sup>(4)</sup> .....	Chairman of the Board of Directors of the Company	August 4, 2010	160,367	150,000 <sup>(2a)</sup>
<b>RONNIE BEEVOR</b> <sup>(5)(6)</sup> .....	Professional Director	August 4, 2010	13,746	75,000 <sup>(2a)</sup>
<b>MASON HILLS</b> <sup>(4)(6)</sup> .....	Partner and Vice President — Legal of Resource Capital Funds Management Pty Ltd	October 22, 2009	Nil	75,000 <sup>(2a)</sup>
<b>MARK SMITH</b> <sup>(4)(5)</sup> .....	Chief Executive Officer of Molycorp, Inc.	August 4, 2010	Nil	75,000 <sup>(2a)</sup>
<b>DAVID SHAW</b> <sup>(5)(6)</sup> .....	Management Consultant, Duckmanton Partners Ltd.	September 22, 2010	392,258	339,589 <sup>(2b)</sup>
<b>FRANK WHEATLEY</b> .....	Executive Director — Corporate Affairs and Strategy of the Company	August 4, 2010	27,693	400,000 <sup>(2a)</sup>

Notes:

- (1) As at November 2, 2010, the directors of the Company, as a group, beneficially owned, or controlled or directed, directly or indirectly, 338,064 Ordinary Shares and 338,878 Exchangeable Shares (an aggregate of 676,942 Ordinary Shares and Exchangeable Shares), representing, respectively, approximately 0.4% of the 90,304,446 Ordinary Shares issued and outstanding and approximately 8.1% of the 4,181,327 Exchangeable Shares issued and outstanding (approximately 0.7% of the aggregate number of issued and outstanding Ordinary Shares and Exchangeable Shares). As at November 2, 2010, Mr. David Shaw beneficially owned, or controlled or directed, directly or indirectly, 53,380 Ordinary Shares and 338,878 Exchangeable Shares (an aggregate of 392,258 Ordinary Shares and Exchangeable Shares). The other directors' shareholdings were comprised entirely of Ordinary Shares.
- (2a) Exercisable at a price of C\$3.50 on or before September 21, 2012, 2013 and 2014.
- (2b) Exercisable at an average price of C\$2.62 on various dates on or before February 18, 2015.
- (3) Messrs. Ronnie Beevor, Mark Smith and David Shaw are "independent directors" as defined under applicable Canadian securities laws. Messrs. Peter Oliver, Peter Robinson, Mason Hills and Frank Wheatley each have a material relationship with the Company by virtue of their respective past or current management positions and therefore are not independent. See "Statement of Corporate Governance Practices — Board of Directors' Independence".
- (4) Member of the Health, Safety, Environment and Sustainability Committee.
- (5) Member of the Audit and Risk Management Committee.
- (6) Member of the Corporate Governance, Appointments and Remuneration Committee.

Further information about the members of the Board of Directors is set forth below.

*Peter Oliver (Chief Executive Officer and Managing Director).* Prior to being appointed Chief Executive Officer and Managing Director of the Company, Mr. Oliver was employed as Chief Executive Officer and Managing Director of Talison Lithium Australia Pty Ltd from January 2010 to August 2010. Prior to this, Mr. Oliver was Chief Operating Officer of Talison Minerals Pty Ltd ("**Talison Minerals**") from

June 2009 to January 2010. Mr. Oliver was General Manager, Operational Planning at Talison Minerals from December 2008 to June 2009. In March 2007, Mr. Oliver became General Manager at Talison Minerals' Wodgina Operation and, in August 2007, Mr. Oliver transferred his employment to Talison Minerals. Mr. Oliver joined Sons of Gwalia Limited in May 2003 and held a number of roles including Acting General Manager at Talison Minerals' Greenbushes Operations. Mr. Oliver ran his own consultancy business servicing the minerals industry in Western Australia, and pursued other business interests, from 1993 to 2003. Mr. Oliver has substantial experience in the resources industry, particularly focused on process improvements and optimising operational performance. Mr. Oliver has a Bachelor of Applied Science Degree from Western Australia Institute of Technology (now Curtin University).

*Peter Robinson (Non-Executive Chairman).* Mr. Robinson was Chief Executive Officer and Managing Director of Talison Minerals from August 2007 to September 2010. Prior to this, Mr. Robinson was Chief Executive Officer of Sons of Gwalia Limited from July 2006 to August 2007. Mr. Robinson was Chief Executive Officer and Managing Director of Ticor Limited (ASX: TOR), a mining and processing company that produces titanium minerals, zircon and titanium dioxide pigment, from June 2004 to July 2006. Mr. Robinson was General Manager — Strategic Development for Ticor Limited from July 2000 to June 2004. Prior to this, Mr. Robinson was employed by Chello Broadband, a broadband internet company, as a consultant from December 1999 to June 2000. Mr. Robinson was employed by RGC Limited (ASX: RGC), a diversified mining company, as Executive Director, Operations from 1995 to December 1998. Mr. Robinson has over 35 years of mining experience in a range of metal and mineral commodities and mining operations around the world. Mr. Robinson has a Bachelor of Science (Honours) from Leeds University in the United Kingdom and is a Fellow of the Australasian Institute of Mining and Metallurgy.

*Ronnie Beevor (Non-Executive and Lead Director).* Mr. Beevor has been a director of EMED Mining Public Limited (AIM: EMED), an AIM-listed mining and exploration company focusing on copper and gold, since December 2004 and Chairman since March 2007 and is also currently a Senior Advisor to Gryphon Partners Advisory Pty Ltd. Prior to joining EMED Mining Public Limited, Mr. Beevor was Head of Investment Banking at NM Rothschild & Sons (Australia) Limited from July 1986 to April 2002. Mr. Beevor has extensive experience in, and involvement with, the natural resources industry in Australia and internationally. Between April 2002 and June 2009, Mr. Beevor was a director of various companies including Oxiana Limited (now OZ Minerals Limited) (ASX: OZL) and Kimberley Diamond Company Limited. Mr. Beevor has an Honours Degree in Philosophy, Politics and Economics from Oxford University and qualified as a Chartered Accountant with the Institute of Chartered Accountants in England and Wales in 1972. In addition to serving as Chairman of EMED Mining Public Limited, Mr. Beevor is also currently a director of Bannerman Resources Limited (ASX: BMN; TSX: BAN), Bendigo Mining Limited (ASX: BDG), New World Energy Limited, Rey Resources Limited and QMAG Limited.

*Mason Hills (Non-Executive Director).* Mr. Hills is a Partner and Vice-President — Legal of Resource Capital Funds Management Pty Ltd, a wholly-owned subsidiary of RCF Management LL.C. Prior to joining Resource Capital Funds Management Pty Ltd in July 2006, Mr. Hills was a partner at the law firm Wright Legal from July 2001 to May 2006, where he was a commercial lawyer who specialized in corporate and finance law in the resource sector. Mr. Hills has a Bachelor of Economics Degree from the University of Western Australia and a Bachelor of Laws Degree (First Class Honours) from Murdoch University. Mr. Hills was a director of Brandrill Limited (ASX:BDL) from September 2008 to December 2009, until it merged with Ausdrill Limited and is currently a director of Ausdrill Limited (ASX: ASL), which provides drilling services to the mining and construction industries, and is currently an alternate director of Bannerman Resources Limited (ASX: BMN; TSX: BAN), a uranium mining and exploration company.

*Mark Smith (Non-Executive Director).* Mr. Smith has been President, Chief Executive Officer and a director of Molycorp, Inc. (NYSE: MCP), a mining and technology company that operates the Mountain Pass rare earth mine and processing facility in California, since October 2008. Mr. Smith is also a director of Avanti Mining Inc. (TSX-V: AVT), and has held that position since November 2009. Prior to joining Molycorp, Inc., Mr. Smith was the President and Chief Executive Officer of Chevron Mining, Inc., a wholly-owned subsidiary of Chevron Corporation, from August 2005 to October 2008. Prior to this, Mr. Smith was a Vice President where he managed the real estate, remediation, mining and carbon divisions of Unocal Corporation, an oil and gas production company, from May 1984 to August 2005. Mr. Smith has a Bachelor of Science Degree in Engineering from Colorado State University and a Juris Doctor Degree (cum laude) from Western State University, College of Law.

*David Shaw (Non-Executive Director).* Mr. Shaw is a management consultant at Duckmanton Partners Ltd. Mr. Shaw has nearly three decades experience in the resource and finance industry with specific emphasis on technical and financial due diligence of resource projects. Mr. Shaw has been an independent geological consultant where he has focused on analysis of structural controls of mineralization and in the risk and financial assessment of investment into specific resource projects mostly in South America, concentrating predominantly in Argentina, Chile and Colombia. He is currently a director of First Majestic Silver Corp., a TSX listed company with three operating silver mines in Mexico, Pan Pacific Aggregates PLC, a London Stock Exchange company, and Albion Petroleum Ltd., a TSX-V listed company. He has been a past director of numerous public companies. From 1992 to 1996 he held the position of Senior Mining Analyst, Corporate Finance, at Yorkton Securities Inc. based in Vancouver and Santiago, Chile. From 1991 to 1992, Mr. Shaw was the President of Bema Resources Ltd. From, 1987 to 1990, Mr. Shaw initiated and developed the Resource Research Group at Charlton Securities Ltd. in Calgary. Prior to this he spent seven years with Chevron Canada Resources in Calgary and Vancouver, employed initially as an in-house structural consultant on both metal and hydrocarbon exploration programs and then as a member of a hydrocarbon project financial evaluation team. Mr. Shaw attained a Bachelor of Science – Geology from the University of Sheffield, England in 1973 and his Ph.D. in Structural Geology from Carleton University, Canada in 1980.

*Frank Wheatley (Executive Director — Corporate Affairs and Strategy).* Mr. Wheatley is Executive Director — Corporate Affairs and Strategy of the Company. From January 2010 to August 2010, Mr. Wheatley held a similar position with Talison Lithium Australia Pty Ltd. Prior to this, Mr. Wheatley was the Vice-President and General Counsel of Gabriel Resources Ltd. (TSX: GBU), an exploration and development company focusing on gold projects in Romania from 2000 to 2009, and prior to which, the President and Chief Operating Officer of Gabriel Resources Ltd. from April 1999 to October 2000. Prior to this he was Vice President, Legal Affairs of Eldorado Gold Corporation, prior to which he was in private practice with the law firm of Smith Lyons LLP in Vancouver. Mr. Wheatley has 25 years' experience as a director and senior officer of, and legal counsel to, a number of Canadian public mining companies and has extensive legal and business experience in the mineral industry, particularly in the areas of public financing, project debt financing, permitting of large scale mining projects, and strategic mergers and acquisitions in the international minerals industry. Mr. Wheatley received his Bachelor of Commerce Degree and Bachelor of Laws Degree from the University of British Columbia. Mr. Wheatley is also a director of Lithic Resources Ltd. (TSX-V: LTH) and Portal Resources Ltd (TSX-V: PDO).

#### **4. Other Business**

Management of the Company is not aware of any other business to come before the Meeting, other than as set forth in the Notice of Meeting. If any other business properly comes before the Meeting, the Ordinary Shares and Exchangeable Shares represented by properly executed proxies given in favour of the persons designated by management of the Company in the enclosed Form of Proxy and Voting Direction Form, as applicable, will be voted on such matters pursuant to such discretionary authority.

## EXECUTIVE COMPENSATION

### Compensation Discussion & Analysis

The Company's compensation philosophy for executive officers follows three underlying principles:

- (a) provide compensation packages that encourage and motivate performance;
- (b) provide compensation packages that are competitive with other companies of similar size and scope of operations so as to attract and retain talented executives; and
- (c) align the interests of its executive officers with the long-term interests of the Company and its shareholders through stock related programs.

When determining compensation policies and individual compensation levels for the Company's executive officers, the Corporate Governance, Appointments and Remuneration Committee takes into consideration a variety of factors. These factors include the overall financial and operating performance of the Company, as well as the Corporate Governance, Appointments and Remuneration Committee's and the Board of Director's overall assessment of: (i) each executive officer's individual performance and contribution towards meeting corporate objectives; (ii) each executive officer's level of responsibility; and (iii) industry comparables.

### Comparator Group

As part of its executive compensation assessment, the Corporate Governance, Appointments and Remuneration Committee compares its executive compensation packages against those awarded by a comparator group of mining companies that are listed on the TSX and/or the Australian Securities Exchange (the "ASX") as is considered relevant. The comparator group includes base metal and diversified mining companies of similar size and market capitalization. In some cases, the comparator group is modified to reflect geographical location, a particular business line or particular circumstances in the industry or the employment market.

As part of this review, the Corporate Governance, Appointments and Remuneration Committee considers comparable market data from third-party surveys to provide an initial reference point for determining future compensation levels.

The composition of the Company's comparator group is reviewed regularly for continued relevance by the Corporate Governance, Appointments and Remuneration Committee.

### External Advisors

The Corporate Governance, Appointments and Remuneration Committee obtains executive compensation data from third-party providers of compensation data in the mining sector. Such external human resources consultants may also provide advice regarding the compensation of the Company's executive officers and make recommendations to the Corporate Governance, Appointments and Remuneration Committee with respect to the compensation to be paid to the Company's non-executive directors, executive officers and staff. The Corporate Governance, Appointments and Remuneration Committee intends to agree annually and on an as-needed basis, with input from management, on the specific work to be undertaken from time to time by external human resources consultants and the fees associated with such work.

## **Performance Evaluations**

The Company utilizes a performance management process that monitors and provides regular feedback to each officer against such officer's principal accountabilities. These principal accountabilities reflect the overall goals and objectives of the Company and are reviewed annually, or as often as is required, to reflect the changing objectives of the Company. The performance of the Company's executive officers will be reviewed annually by the Corporate Governance, Appointments and Remuneration Committee with the assistance of the Chairman of the Board when considering remuneration review recommendations.

## **Compensation Mix**

In keeping with the Company's philosophy to link senior executive compensation to corporate performance and to motivate senior executives to achieve exceptional levels of performance, the Board of Directors adopted a model that includes both base salary and "at-risk" compensation, comprised of short-term performance bonuses (which are subject to annual targets being achieved) and participation by employees and executive directors in the Company's Employee Long-Term Incentive Plan and non-executive directors and consultants in the Company's Director and Consultant Long-Term Incentive Plan, as described below. See "— Long-Term Incentive Plans".

The target mix of fixed and "at risk" (performance related) remuneration for the Chief Executive Officer and other Named Executive Officers (as defined below) is for: (i) 40%-50% of total remuneration to be paid as fixed salary, including base salary, insurance benefits and superannuation; (ii) 15%-20% of total remuneration to be paid as "at risk" compensation under the Company's Short-Term Incentive Scheme (as described below); and (iii) 30%-45% of total remuneration to be paid as "at risk" compensation under the Company's Employee Long-Term Incentive Plan. The compensation mix targets will be reviewed and revised, as deemed necessary, by the Board of Directors during the 2011 financial year.

## **Base Salary**

Base salaries reflect the fixed component of pay which compensates executives for fulfilling their roles and responsibilities and assists in the attraction and retention of highly qualified executives.

Salaries are determined based on the responsibilities of each position, the executive's experience and knowledge when compared with market practices for comparable positions and the executive's performance and internal comparability. Base salaries for executives and other employees throughout the Company's workforce generally align at the median point of the comparator group for positions with similar responsibilities. Base salaries are reviewed annually to ensure they reflect each individual's performance and experience in fulfilling his or her role and to ensure retention.

## **Short-Term Incentive Scheme**

An annual performance bonus is a short-term variable element of compensation and payments are linked to the performance of the Company and each executive's contribution to that performance. Target bonuses for the 2011 financial year will be established to link "at-risk" pay to the Company's annual performance which will drive shareholder value.

The Board of Directors has engaged suitably qualified experts to assist in the preparation of a Short-Term Incentive Scheme, that is consistent with encouraging achievement of the long-term business objectives of the Company. It is envisaged that this scheme will commence in the 2012 financial year. For the

interim transition period of the 2011 financial year, the Board of Directors will set management targets for the short-term incentive scheme for the 2011 financial year.

The target bonus payments for the 2011 financial year for all Named Executive Officers will be set by the Board of Directors and will generally align with the median point of the comparator group for positions with similar responsibilities.

### **Long-Term Incentive Plans**

Long-term incentives are grants of options to purchase Ordinary Shares. The awards are intended to provide incentives to certain of the Company's directors, officers, employees and consultants, to foster a responsible balance between short-term and long-term corporate results, and to build and maintain a strong spirit of performance and entrepreneurship and to assist with employee retention. Grants of options to the Company's directors, officers, employees and consultants are based on:

- (a) the offeree's level of performance;
- (b) the offeree's level of responsibility within the Company and its subsidiaries or the scope of services provided by the offeree to the Company or its subsidiaries;
- (c) the number and exercise price of options previously issued to the offeree;
- (d) the overall aggregate total compensation package provided to the offeree. A Black-Scholes valuation is used to determine the value of any grants of long-term options; and
- (e) any other factors considered relevant by the Board of Directors or the Corporate Governance, Appointments and Remuneration Committee.

The Corporate Governance, Appointments and Remuneration Committee makes option grant recommendations to the Board based on the above criteria. Options to officers are typically granted on an annual basis in connection with the review of executives' compensation packages. Options may also be granted upon hire or promotion and as special recognition for extraordinary performance.

### ***Description of the Talison Lithium Long-Term Incentive Plans***

The Board of Directors has approved the implementation of a long-term incentive plan for the executive directors, officers and employees of the Company and its subsidiaries (the "**Employee Long-Term Incentive Plan**") and a long-term incentive plan for the non-executive directors and consultants of the Company and its subsidiaries (the "**Director and Consultant Long-Term Incentive Plan**") and, together with the Employee Long-Term Incentive Plan, the "**Long-Term Incentive Plans**"). The Long-Term Incentive Plans are administered by the Corporate Governance, Appointments and Remuneration Committee. Full and final authority with respect to granting of options under the Long-Term Incentive Plans and amending the Long-Term Incentive Plans rests with the Board.

Options may be granted under the Employee Long-Term Incentive Plan to such executive directors, officers or employees of the Company and its subsidiaries as the Corporate Governance, Appointments and Remuneration Committee may from time to time designate. Similarly, options may be granted under the Director and Consultant Long-Term Incentive Plan to such non-executive directors or consultants of the Company and its subsidiaries as the Corporate Governance, Appointments and Remuneration Committee may from time to time designate.

Grants of options under the Long-Term Incentive Plans are made at such time and in such amounts as the Company shall determine, in its sole discretion, provided that the total number of Ordinary Shares authorized for issuance upon the exercise of options granted under each Long-Term Incentive Plan shall not exceed 10% of the Ordinary Shares outstanding (on a non-diluted basis) from time to time and provided that:

- (a) the total number of Ordinary Shares which may be reserved for issuance pursuant to options granted under each Long-Term Incentive Plan shall not exceed 10% of the outstanding issue of such Ordinary Shares (on a non-diluted basis) at the time of grant;
- (b) the total number of Ordinary Shares which may, at any time, be reserved for issuance to insiders pursuant to options granted under both Long-Term Incentive Plans and under all other security based compensation arrangements of the Company shall not exceed 10% of the outstanding issue of such Ordinary Shares (on a non-diluted basis); and
- (c) the total number of Ordinary Shares issued to insiders pursuant to options granted under both Long-Term Incentive Plans and under all other security based compensation arrangements of the Company within any one year period shall not exceed 10% of the outstanding issue of such Ordinary Shares (on a non-diluted basis).

Notwithstanding clauses (a) through (c) above, the number of Ordinary Shares the subject of an offer or grant of options under the Employee Long-Term Incentive Plan, when aggregated with:

- (a) the number of shares in the same class which would be issued were each outstanding option to acquire unissued Ordinary Shares under the Employee Long-Term Incentive Plan exercised; and
- (b) the number of shares in the same class issued during the previous five years pursuant to the Employee Long-Term Incentive Plan or any other employee share scheme operated by the Company,

but disregarding any offer made, or option acquired or Ordinary Share issued, by way of or as a result of:

- (c) an offer to a person situated outside Australia at the time of receipt of the offer;
- (d) an offer that did not require disclosure to investors because of section 708 of the Corporations Act; or
- (e) an offer made under a disclosure document (within the meaning of the Corporations Act),

must not exceed 5% of the total number of Ordinary Shares issued in the same class at the time of offer or grant of the options.

The term of any options granted shall be determined by the Corporate Governance, Appointments and Remuneration Committee at the time of the grant, subject to earlier termination in the event of termination of employment or service or in the event of retirement, death or disability. The term of any options granted under the Long-Term Incentive Plans shall not exceed seven years. The Corporate Governance, Appointments and Remuneration Committee determines the vesting provisions for any grant of options under the Long-Term Incentive Plans. Options cannot be exercised if the option holder has knowledge of a “material fact” or “material change” as defined under the *Securities Act* (Ontario) in respect of the Company that has not been disclosed to the public. Exercised options must be sold in accordance with the Company’s Security Trading Policy.

The exercise price per Ordinary Share in respect of option grants under the Long-Term Incentive Plans shall not be less than the average market price per Ordinary Share (weighted by reference to volume) for Ordinary Shares sold through the “relevant stock market” (being the ASX if the Company is listed on the ASX, and the TSX if the Company is listed on the TSX but not on the ASX) over the five trading days on the “relevant stock market” immediately preceding the date of grant.

Options granted under the Long-Term Incentive Plans are not transferable or assignable other than with the prior written consent of the Board of Directors and subject to applicable laws and the applicable rules of any stock exchange on which the Ordinary Shares are listed.

Pursuant to the terms of the Long-Term Incentive Plans, if an option holder ceases to provide services to the Company or any of its subsidiaries by reason of removal or termination of employment or services (as applicable) without cause, such holder’s unvested options will immediately vest; in all other circumstances, unvested options at the date of removal or cessation of employment or services (as applicable) will terminate and may no longer be exercised. Pursuant to the terms of the Long-Term Incentive Plans, subject to certain exceptions, in the event an option holder ceases to provide services to the Company or any of its subsidiaries:

- (a) by reason of termination of employment or removal of services (as applicable) for cause, such holder’s vested options will expire 30 days after such removal or termination; and
- (b) upon retirement or death, or as a result of removal or termination of employment or services (as applicable) due to disability, such holder’s options will expire one year after such retirement, death or disability.

In addition, options will terminate on the day the Board of Directors determines, in consultation with the option holder, it is in the best interests of the option holder for the options to terminate. If an option granted under the Long-Term Incentive Plans has terminated or expired without being fully exercised, any unissued Ordinary Shares which have been reserved to be issued upon the exercise of the option shall become available to be issued upon the exercise of options subsequently granted under the Long-Term Incentive Plans.

The value of the options granted under the Long-Term Incentive Plans is determined by a Black Scholes option pricing model on the basis of the following variables: (a) an expected life of between one and five years respectively, (b) an average volatility rate of 71%, and (c) a risk free interest rate ranging from 1.3%-1.9% depending on the expected life. The valuations are reviewed by the Corporate Governance, Appointments and Remuneration Committee and approved by the Board of Directors.

Pursuant to their respective terms, the Board of Directors may at any time (and from time to time) suspend, terminate or amend the Employee Long-Term Incentive Plan and/or the Director and Consultant Long-Term Incentive Plan (as applicable) in any respect or amend the terms of any options granted under either such plan; provided, however, that the Board of Directors may not, without the approval of the shareholders, amend the Employee Long-Term Incentive Plan and/or the Director and Consultant Long-Term Incentive Plan or any option granted thereunder in any manner that requires shareholder approval under applicable laws or the applicable rules of any stock exchange on which the Ordinary Shares are listed. No amendment or termination may be made which adversely affects the existing rights of any option holder without such option holder’s written consent unless the Company, at its option, acquires those existing rights at an amount equal to the fair market value of such rights at such time as verified by an independent valuator.

## **Superannuation Plan and Insurance Benefits**

All Australian employees, including the Chief Executive Officer, are entitled, immediately upon joining the Company's workforce, to superannuation benefits provided upon retirement under the Australian Government Superannuation Guarantee Levy. Superannuation benefits are included in the total base salary offered to the Company's executive officers.

The Company's superannuation plan supports the well-being of employees. The plan will be reviewed periodically by the Corporate Governance, Appointment and Remuneration Committee to determine whether it is competitive and whether it continues to meet the Company's business and human resources objectives.

### ***Total Permanent Disability and Death Insurance***

The Company provides total permanent disability and death insurance coverage for all members of the Talison Lithium Superannuation Fund, subject to the rules of the insurer to cover such employees in the event of death or disability. Benefits will be paid in accordance with the Superannuation Trustee to employees or their dependants. Executive officers participate in the same benefits program as all other permanent employees of the Company.

### ***Salary Continuance Insurance***

In addition to the Company's superannuation plan, the Company provides salary continuance to all Australian-based permanent employees up to the age of 65, subject to any requirements of the insurer. This covers 75% of an employee's salary for up to two years if they are unable to work due to injury or illness.

## **Compensation of Chief Executive Officer**

The components of the Chief Executive Officer's compensation are the same as those which apply to the other Named Executive Officers of the Company, namely base salary, performance bonus (which is subject to Company targets being achieved), and long-term equity incentives (which relate to individual performance). The Corporate Governance, Appointments and Remuneration Committee presents its recommendations to the Board of Directors with respect to the Chief Executive Officer's compensation. In setting the recommended compensation package of the Chief Executive Officer, the Corporate Governance, Appointments and Remuneration Committee takes into consideration the recommendations of independent consultants and the salaries paid to other chief executive officers in the mining industry, as described under the heading "— External Advisors", above. In setting the salary, performance bonus and long-term incentives for the Chief Executive Officer, the Corporate Governance, Appointments and Remuneration Committee evaluates the performance of the Chief Executive Officer in light of his impact on the achievement of the Company's goals and objectives.

As discussed under the heading "Superannuation Plan and Insurance Benefits" above, the Chief Executive Officer is entitled to superannuation benefits upon retirement under the Australian Government Superannuation Guarantee Levy. The Company contributed to an independent superannuation fund of the Chief Executive Officer's choice for the 2010 financial year. The commitment to contribute to the Chief Executive Officer's superannuation fund only exists during the employment of the Chief Executive Officer. The Chief Executive Officer's superannuation fund is an accumulation fund and benefits paid are based on defined contributions and earnings of the fund.

## Summary Compensation Table

The following table lists the Chief Executive Officer of the Company, the Chief Financial Officer of the Company, and the Company's three most highly compensated executive officers other than the Chief Executive Officer and the Chief Financial Officer (collectively, the "Named Executive Officers") and sets out the historical compensation paid by Talison Minerals to each of the Named Executive Officers during the financial year ended June 30, 2010, during which time the Named Executive Officers fulfilled roles similar to the positions they now fulfill for the Company.

<u>Name</u>	<u>Year<sup>(1)</sup></u>	<u>Base Salary</u>	<u>Option Based Awards</u>	<u>Non-Equity Annual Incentive Plans<sup>(2)</sup></u>	<u>Superannuation and Insurance</u>	<u>All Other Compensation<sup>(3)</sup></u>	<u>Total Compensation</u>
<b>PETER OLIVER</b> ..... Chief Executive Officer/Managing Director	2010	A\$355,627	Nil	A\$44,497	A\$29,337	A\$151,000	A\$580,461
<b>FRANK WHEATLEY</b> ..... Executive Director — Corporate Affairs and Strategy <sup>(4)</sup>	2010	C\$164,112	Nil	Nil	Nil	C\$25,000	C\$189,112
<b>LORRY MIGNACCA</b> ..... Chief Financial Officer	2010	A\$362,914	Nil	A\$61,319	A\$31,365	A\$50,000	A\$505,598
<b>PAT SCALLAN</b> ..... General Manager — Greenbushes Lithium Operations	2010	A\$266,233	Nil	A\$46,293	A\$33,031	A\$20,000	A\$365,557
<b>PAUL WALLWORK</b> ..... Marketing Manager	2010	A\$240,000	Nil	A\$41,731	A\$25,116	Nil	A\$306,847

### Notes:

- (1) 2010 represents the amount actually paid for the financial year ended June 30, 2010.
- (2) Under the Non-Equity Annual Incentive Plan, the Named Executive Officers earned the above-mentioned incentives for the financial year ended June 30, 2009. In accordance with the terms of the Non-Equity Annual Incentive Plan, the payment occurred in the 2010 financial year once the results for the June 30, 2009 financial year had been audited.
- (3) Value allocated for Company-supplied vehicles, "living away from home allowances", and an incentive awarded for listing the Company on the TSX.
- (4) The remuneration paid to Mr. Frank Wheatley is paid in Canadian dollars and is translated into Australian dollars at the exchange rate prevailing when the remuneration is paid. The average exchange rate for the financial year ended June 30, 2010 was A\$1 equals C\$0.9311 (C\$1 equals A\$1.0740).

In the case of Mr. Peter Oliver and Mr. Frank Wheatley, who are also directors of the Company, their remuneration is solely in relation to their capacity as executives of the Company and they do not receive any additional remuneration for serving in the capacity as directors of the Company.

With respect to payments to be made to non-executive directors, except for the Chairman of the Board, each receives fees of A\$65,000 per annum, inclusive of superannuation contributions as well as 75,000 options, one-third of which vest 12 months after the grant date, a further one-third vest 24 months after the grant date, and the balance vest 36 months after the grant date. Each tranche of options expires one year after the date of vesting. Each option is exercisable at a price of C\$3.50. A director who serves as Chairman of any Board committee receives an additional fee to compensate him or her for the additional requirements of the role. The Chairman of the Audit and Risk Management Committee receives an additional fee of A\$13,000 per annum and the Chairmen of the Corporate Governance, Appointments and Remuneration Committee and the Health, Safety, Environment and Sustainability Committee each receive an additional fee of A\$6,500 per annum.

The Chairman of the Board of Directors receives fees of A\$130,000 per annum as well as 150,000 options, one-third of which vest 12 months after the grant date, a further one-third vest 24 months after the grant date, and the balance vest 36 months after the grant date. Each tranche of options expires one year after the date of vesting. Each option is exercisable at a price of C\$3.50.

Mr. David Shaw, an independent director of the Company, also provides geological and management consulting services to the Company in relation to the Company's Chilean exploration activities. Such services are provided on a part-time basis under a consultancy agreement for an annual fee of A\$75,000. If the consultancy agreement is terminated without cause, Mr. Shaw is entitled to a six-month notice payment of A\$37,500.

### **Termination and Change of Control Benefits**

Talison Services Pty Ltd, an indirect wholly-owned subsidiary of the Company, has entered into employment agreements with each of the Named Executive Officers. The employment agreements are governed by and interpreted in accordance with the laws of the state of Western Australia. None of the contracts contain provisions providing for any benefits upon a change of control other than as set out below.

#### ***Description of Employment Agreements***

Under the terms of employment agreements for the Chief Executive Officer/Managing Director, Mr. Peter Oliver (dated March 5, 2010), the Chief Financial Officer and Company Secretary, Mr. Lorry Mignacca (dated December 31, 2009), and the Executive Director Corporate Affairs and Strategy, Mr. Frank Wheatley (dated January 22, 2010), the following provisions apply:

- (a) the relevant Named Executive Officer may at any time terminate the employment contract by giving six months written notice to the Company;
- (b) the Company may terminate the employment of the relevant Named Executive Officer for just cause at any time; and
- (c) the Company may terminate the employment of the relevant Named Executive Officer without just cause by providing such Named Executive Officer with written notice of termination together with a lump sum payment of an amount equal to 12 months total fixed remuneration (base salary plus superannuation), less deductions and tax.

Under the terms of the employment agreement for the Marketing Manager, Mr. Paul Wallwork (dated April 1, 2008), the following conditions apply:

- (a) Mr. Wallwork may at any time terminate the employment contract by giving three months notice; and
- (b) the Company may terminate the employment of Mr. Wallwork for just cause at any time.

Under the terms of the employment agreement for the General Manager — Greenbushes Lithium Operations, Mr. Pat Scallan (dated August 17, 2003), the following conditions apply:

- (a) Mr. Scallan may at any time terminate the employment contract by giving one months written notice; and
- (b) the Company may terminate the employment of Mr. Scallan for just cause at any time.

The employment agreements of the Named Executive Officers are common law employment contracts which contain the key terms outlined under the heading “Summary of Termination Benefits” below.

Other than the employment contracts disclosed in this section, and the payment of directors’ fees, there are no employment contracts or arrangements in existence between the Company or its subsidiaries and any director or officer of the Company, and there is no other arrangement or agreement made between the Company and any director or Named Executive Officer pursuant to which a payment or other benefit is to be made or given by way of compensation in the event of such director’s or officer’s resignation, retirement or a termination of employment or directorship, or in the event of a change of control of the Company or a change in a Named Executive Officer’s responsibilities following such a change of control.

***Summary of Termination Benefits***

The following table sets out the annual remuneration, termination notice and associated compensation intended for each Named Executive Officer.

Name	2011 Annual Remuneration <sup>(1)</sup>		Termination		
	Base Salary and Superannuation	Non-Equity Annual Incentive <sup>(2)</sup>	Notice Period	Compensation in Lieu of Notice Period	Compensation for Redundancy
<b>PETER OLIVER</b> ..... Chief Executive Officer	A\$486,875	A\$89,335	6 months	6 months’ remuneration	12 months’ remuneration
<b>FRANK WHEATLEY</b> ..... Executive Director — Corporate Affairs and Strategy	C\$379,250	C\$75,850	6 months	6 months’ remuneration	12 months’ remuneration
<b>LORRY MIGNACCA</b> ..... Chief Financial Officer	A\$387,914	A\$70,530	6 months	6 months’ remuneration	12 months’ remuneration
<b>PAT SCALLAN</b> ..... General Manager — Greenbushes Lithium Operations	A\$300,178	A\$54,578	1 month	5 weeks’ remuneration	4 weeks + 2 weeks for each year of service
<b>PAUL WALLWORK</b> ..... Marketing Manager	A\$268,140	A\$49,200	3 months	3 months’ remuneration	6 month’s base salary

Notes:

- (1) Estimated annual remuneration, as at November 2, 2010, includes base salary, compulsory superannuation benefits and the non-equity annual incentive applicable to each Named Executive Officer.
- (2) This is an estimate of the non-equity incentive for the 2011 financial year under the Non-Equity Annual Incentive Plan. The actual non-equity incentive payments will depend on the actual results achieved for the year compared to the incentive plan targets.

The following table sets out an estimate of the compensation entitlements that would be payable to each Named Executive Officer if such executive employment agreements were terminated without cause:

Name	Estimated Lump-Sum Severance Payment <sup>(1)</sup>	Estimated Value of Stock Options that Vest on Termination Without Cause <sup>(2)</sup>
<b>PETER OLIVER</b> ..... Chief Executive Officer/Managing Director	A\$486,875	A\$1,894,114
<b>FRANK WHEATLEY</b> ..... Executive Director — Corporate Affairs and Strategy	C\$379,250	C\$643,310
<b>LORRY MIGNACCA</b> ..... Chief Financial Officer	A\$387,914	A\$688,769
<b>PAT SCALLAN</b> ..... General Manager — Greenbushes Lithium Operations	A\$175,803	A\$516,577
<b>PAUL WALLWORK</b> ..... Marketing Manager	A\$123,000	A\$344,384

Notes:

- (1) Assumes a June 30, 2010 termination date. Severance payments are made if a director or officer is terminated or made redundant, regardless of whether or not there has been a material change.
- (2) The estimated value of stock options which would vest on termination without cause is determined by a Black-Scholes option pricing model on the basis of the following variables: (a) an expected life of between one and five years, (b) an average volatility rate of 71%, and (c) a risk free interest rate ranging from 1.3%-1.9% depending on the expected life.

## Director Compensation

The Company will review director compensation arrangements at least annually to ensure that they are competitive in light of the time commitments required from directors and to align directors' interests with those of the Company's shareholders. Directors who are not employees of the Company are compensated for their services as directors through fees subject to the recommendation of the Corporate Governance, Appointments and Remuneration Committee. Non-executive directors are eligible to participate in the Director and Consultant Long-Term Incentive Plan. Directors are entitled to be reimbursed for expenses incurred in their capacity as directors. Directors who are also officers or employees of the Company receive no additional compensation as a result of serving on the Board of Directors, but are entitled to reimbursement for expenses incurred in their capacity as directors.

### *Retainers and Attendance Fees*

The Company's director compensation program is designed to attract and retain the most qualified individuals to serve on the Board of Directors. In consideration for serving on the Board of Directors during the 2011 financial year, each non-employee director will be compensated as indicated below:

<b>Annual Retainers</b>	<b>Amount per annum<sup>(1)</sup></b>
	(A\$)
Board Chairman .....	130,000
Lead Director .....	65,000
Non-Chair Director .....	65,000

Note:

- (1) Amounts include superannuation benefits.

The Chairman of each Board committee receives an additional fee to compensate him or her for the additional responsibilities and time commitment of the role. The Chairman of the Audit and Risk

Management Committee receives an additional fee of A\$13,000 per annum and the Chairmen of the Corporate Governance, Appointments and Remuneration Committee and the Health, Safety, Environment and Sustainability Committee each receive an additional fee of A\$6,500 per annum.

### **Additional Information Regarding Directors and Officers**

#### ***Corporate Cease Trade Orders or Bankruptcies***

Except as set out below, no director of Talison is, as at the date of this Circular, or has been within 10 years before the date of this Circular:

- (a) a director, chief executive officer or chief financial officer of any company (including Talison) that was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days and that was issued: (a) while that person was acting in the capacity as director, chief executive officer or chief financial officer of such company; or (b) after that person ceased to be a director, chief executive officer or chief financial officer of such company and which resulted from an event that occurred while that person was acting in that capacity; or
- (b) a director or executive officer of any company (including Talison) that, while that person was acting in that capacity, or within one year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Lorry Mignacca was employed as General Manager — Planning with Sons of Gwalia Limited in August 2004 when the directors of Sons of Gwalia Limited voluntarily appointed administrators of Sons of Gwalia Limited. Talison Minerals acquired the advanced minerals business of Sons of Gwalia Limited in August 2007 and, in August 2010, reorganized its operations to separate its lithium and non-lithium assets into separate corporate entities, the result of which was that Talison Lithium acquired the lithium assets component of such advanced minerals business (e.g., the Greenbushes Lithium Operations). The administration of Sons of Gwalia Limited is continuing, but the Greenbushes Lithium Operations are not subject to the administration. In addition, Mr. Mignacca is no longer employed by Sons of Gwalia Limited or any subsidiary or affiliate thereof.

Mr. Frank Wheatley was a director of Constellation Copper Corporation (“**Constellation Copper**”) until December 22, 2008. On November 14, 2007, management of Constellation Copper applied for and were issued a management cease trade order for failure to file Constellation Copper’s interim financial statements and related management’s discussion and analysis for the period ended September 30, 2007. This order was rescinded on January 16, 2008 following the filing of the financial statements and related management’s discussion and analysis for the period ended September 30, 2007. On November 20, 2008, management of Constellation Copper applied for another management cease trade order covering Constellation Copper’s Chief Executive Officer and Chief Financial Officer as a result of a delay in filing interim financial statements for the period ended September 30, 2008 due to the possibility of the need to disclose a subsequent event. On December 23, 2008, Constellation Copper filed an assignment of bankruptcy under the *Bankruptcy and Insolvency Act* (Canada) and the securities regulatory authorities placed an issuer cease trade order to replace the management cease trade order.

### ***Penalties or Sanctions and Personal Bankruptcies***

No director of Talison has, within 10 years before the date of this Circular, been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director of Talison.

No director of Talison has, within 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

### ***Indebtedness***

None of the directors or executive officers of the Company, and no associate or affiliate of any of them, is or has been indebted to the Company, except for routine indebtedness.

### ***Indemnification and Insurance***

The Company has entered into a deed of access, indemnity and insurance with each of its directors which confirms each director's right of access to Board papers and requires the Company to provide an indemnity for liability incurred as a director, officer or promoter of the Company, subject to the restrictions imposed by the Corporations Act and the terms of the Constitution of the Company.

#### ***Indemnification***

Pursuant to the Constitution of the Company, all directors and officers, past and present, have been indemnified against all liabilities allowed under law. The Company has entered into agreements with each of its directors and officers to indemnify those parties against all liabilities to another person which may arise from their position as directors or other officers of the Company or its controlled entities to the extent permitted by law. The agreements stipulate that the Company will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

#### ***Insurance Premiums***

The Company has agreed to pay the premiums in respect of directors' and officers' liability insurance contracts, for current and former directors and officers, including executive officers and secretaries of the Company's controlled entities. Under the terms of the insurance contract, disclosure of the extent of the cover and the amount of the premium is prohibited by a confidentiality clause.

## **INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as disclosed below, no director, proposed director, executive officer, insider or other informed person of the Company, nor any associate or affiliate of any of the foregoing, has had any material interest, direct or indirect, in any transaction since the formation of the Company on October 22, 2009 or

in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

RCF Management LL.C. may be considered a promoter of the Company within the meaning of Canadian provincial securities legislation by virtue of its initiative in founding the business of the Company. In addition, through its fund Resource Capital Fund V L.P., RCF Management LL.C. participated in a private placement financing transaction pursuant to which Resource Capital Fund V L.P. acquired 8,540,880 Ordinary Shares for C\$29,880,000 in aggregate on September 22, 2010.

## **INTERESTS OF CERTAIN PERSONS AND COMPANIES IN MATTERS TO BE ACTED UPON**

No person or company that has been a director or executive officer of the Company at any time during the most recently completed financial year of the Company, nor any proposed director or any associate or affiliate of any such director, executive officer or proposed director, has had any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, other than the election of directors or the reappointment of the auditor of the Company.

## **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

The Company recognizes that good corporate governance plays an important role in its overall success and in enhancing shareholder value and, accordingly, has adopted certain corporate governance practices which are reflective of the recommended Canadian corporate governance guidelines.

The Canadian corporate governance guidelines are set out in National Policy 58-201 of the Canadian Securities Administrators, entitled *Corporate Governance Guidelines* (“**National Policy 58-201**” or the “**Corporate Governance Guidelines**”), together with certain related disclosure requirements pursuant to National Instrument 58-101 of the Canadian Securities Administrators, entitled *Disclosure of Corporate Governance Practices* (“**National Instrument 58-101**”). The Corporate Governance Guidelines are recommended as “best practices” for issuers to follow.

Set out below is a description of the Company’s corporate governance practices. Further information on the corporate governance policies adopted by the Company will be located on the Company’s website located at [www.talisonlithium.com](http://www.talisonlithium.com).

### **Board of Directors’ Independence**

The charter of the Board of Directors (the “**Board Charter**”) provides that whenever the Chairman of the Board is not independent, the independent directors of the Board shall appoint an independent Lead Director, who will assume responsibility for providing leadership to enhance the effectiveness and independence of the Board of Directors. In addition, the Board Charter provides that the independent directors 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. Under the direction of the Lead Director, during the 2011 financial year, the independent directors will endeavour to hold regularly scheduled meetings, or portions of regularly scheduled “in camera” meetings at which the non-independent directors and management will not be present. In addition, the Board Charter provides that each director should 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. The Board Charter provides that the Board of Directors may, without the prior approval of management, engage outside counsel, consultants or advisors to assist it in fulfilling its responsibilities. The compensation paid to such counsel, consultants or advisors is determined by the Board of Directors but paid for by the Company.

In addition, the Board Charter also provides that the positions of Chairman of the Board of Directors and Chief Executive Officer may not be exercised by the same individual. Mr. Peter Robinson is the Chairman of the Board of Directors. The Board of Directors considers this appointment to be appropriate and beneficial to the Board of Directors because of Mr. Robinson's extensive knowledge of the Company's business and affairs. Mr. Robinson is not independent by virtue of his previously held position of chief executive officer of Talison Minerals. For this reason, Mr. Ronnie Beevor has been appointed Lead Director, and will be primarily responsible for, among other things, ensuring that Board meetings are conducted in an independent manner. The Lead Director 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 the Board's agenda will enable it to successfully carry out its duties. The Board will continually evaluate and amend its composition as it is determined necessary.

The Board Charter requires that, at least annually, the Board of Directors, with the assistance of the Corporate Governance, Appointments and Remuneration Committee, evaluate the independence of each director based on the definition of "independence" contained in National Instrument 58-101 and the independence of each Audit and Risk Management Committee member based on the definition of "independence" in National Instrument 52-110 of the Canadian Securities Administrators, entitled *Audit Committees* ("**National Instrument 52-110**"). National Instrument 58-101 defines an "independent director" as a director who has no direct or indirect material relationship with the Company. A "material relationship" is, in turn, defined as a relationship which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of such director's independent judgement. In determining whether a particular director is an "independent director" or a "non-independent director", the Board of Directors considers the factual circumstances of each director in the context of the Corporate Governance Guidelines.

The Board of Directors is also mandated to conduct an annual review of its ability to act independently of management in fulfilling its duties. The annual evaluation of each Board members' independence is based on a number of factors, including whether the director in question (i) did work for the Company, (ii) had any immediate family member engaged in the employment of the Company, (iii) benefited from a business relationship with the Company that could reasonably be perceived to materially interfere with such director's independent judgment, or (iv) received remuneration from the Company other than remuneration for acting as a member of the Board of Directors or its committees.

The Board Charter requires that a majority of the Board of Directors be independent as determined in accordance with National Instrument 58-101. If, at any time, less than one-half of the directors are independent, the independent directors of the Board of Directors will appoint a new independent director and, to the extent necessary, will consider possible steps and processes to facilitate the Board of Director's exercise of independent judgement in carrying out its responsibilities prior to the appointment of a new independent director. Based on the information provided to the Board by its individual directors, the Board has concluded that three of its seven directors are independent (expressed as a percentage, approximately 43% of the directors are independent). Messrs. Ronnie Beevor, Mark Smith and David Shaw are independent within the meaning of National Instrument 58-101. Peter Oliver and Frank Wheatley are not independent by virtue of their management positions with the Company. Peter Robinson is not independent by virtue of his previously held position of chief executive officer of Talison Minerals and Mason Hills is not independent by virtue of his employment with Resource Capital Funds Management Pty Ltd, a wholly-owned subsidiary of RCF Management LL.C.

If a director or executive officer holds a material interest in a transaction or agreement under consideration at a Board meeting, that director or executive officer shall not be present at the time the Board of Directors deliberates such transaction or agreement and shall abstain from voting on the matter.

In order to ensure independent judgment, the Board of Directors will require all directors to disclose their interests in the Company itself, as well as in other companies by way of Director Declaration of Interests and Director Disclosure Obligation documents signed by individual directors.

### Other Directorships

The following directors of the Company are presently directors of other issuers that are reporting issuers (or the equivalent) in Canada, Australia or another foreign jurisdiction:

<b>Director</b>	<b>Name of Reporting Issuer Board Membership</b>
Ronnie Beevor .....	Bendigo Mining Limited (ASX: BDG) EMED Mining Public Limited (AIM: EMED) Bannerman Resources Limited (ASX: BMN; TSX: BAN) Rey Resources Limited (ASX: REY)
Mason Hills .....	Bannerman Resources Limited (ASX: BMN; TSX: BAN) <sup>(1)</sup> Ausdrill Limited (ASX: ASL)
Mark Smith .....	Molycorp, Inc. (NYSE: MCP) Avanti Mining Inc. (TSX-V: AVT)
David Shaw .....	First Majestic Silver Corp. (TSX: FR) Albion Petroleum Ltd. (TSX-V: ABP.H) Mercer Gold Corporation (OTCBB: MRGP) Pan Pacific Aggregates PLC (AIM: PPA)
Frank Wheatley .....	Lithic Resources Ltd. (TSX-V: LTH) Portal Resources Ltd. (TSX-V: PDO)

Note:

(1) Mr. Mason Hills serves as an alternate director of Bannerman Resources Limited.

There is one interlocking directorship on the Board of Directors resulting from Messrs. Ronnie Beevor and Mason Hills each acting as a director of Bannerman Resources Limited. The Board of Directors has determined that the foregoing interlocking directorship does not impact the ability of Messrs. Beevor and Hills to act in the best interests of the Company.

### Board Meetings

The Board of Directors holds meetings every quarter, with additional meetings held as the Chairman and/or Lead Director considers appropriate. Additional Board meetings are held depending upon opportunities or issues to be dealt with by the Company from time to time.

The rules and regulations relating to the calling and holding of, and proceedings at, Board meetings are established by the Corporations Act and the Constitution of the Company.

The Company Secretary, his or her designee, or any other person the Board of Directors requests, acts as secretary at Board meetings. Minutes of Board meetings are recorded and maintained by the Company Secretary and subsequently presented to the Board for approval.

The Board Charter provides that the independent members of the Board of Directors shall hold regularly scheduled meetings, or portions of regularly scheduled meetings, at which non-independent directors and members of management are not present.

An external auditor of the Company attends the annual meeting of shareholders of the Company and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

## **Board Charter**

The Board of Directors operates under the Board Charter attached as Appendix “A” to this Circular.

Pursuant to the Board Charter, the Board of Directors is responsible for overseeing the management and affairs of the Company. The Board of Directors assumes responsibility for the stewardship of the Company, including the areas described below:

- (a) *Strategic Planning*: At least annually, the Board must review and, if advisable, approve (i) the Company’s strategic planning process and annual strategic plans, (ii) the Company’s annual business and capital plans, and (iii) management’s implementation of the Company’s strategic, business and capital plans.
- (b) *Risk Management*: At least annually, the Board of Directors must review reports provided by management of principal risks associated with the Company’s business and operations. In addition, the Board of Directors must review reports from the Audit and Risk Management Committee relating to the operations of, and any material deficiencies in, risk management systems and verify that appropriate controls and management information systems have been established by management.
- (c) *Succession Planning and Management Integrity*: At least annually, the Board of Directors must review (i) a report of the Corporate Governance, Appointments and Remuneration Committee concerning the Company’s approach to human resource management and executive compensation and (ii) the Company’s succession plans, including the appointment, training, monitoring and integrity of senior management and the directors.
- (d) *Corporate Governance, Independence and Ethics*: At least annually, the Board of Directors must (i) review a report of the Corporate Governance, Appointments and Remuneration Committee concerning the Company’s approach to corporate governance, (ii) review the director independence standards that the Company has established, (iii) evaluate the ability of the Board to act independently from management in fulfilling its duties, and (iv) review compliance with, and investigations and complaints under, the Company’s Code of Business Conduct and Ethics (the “**Code of Business Conduct and Ethics**”).
- (e) *Communications*: At least annually, the Board of Directors, in conjunction with the Chief Executive Officer, must review the Company’s Disclosure Policy, including measures for receiving feedback from the Company’s stakeholders and management’s compliance with the Disclosure Policy. In addition, the Company endeavours to keep its shareholders informed of its progress through annual and quarterly disclosure and periodic press releases, and directors and management are required to meet with the Company’s shareholders at the annual meeting and are available to respond to questions at that time.

The Board of Directors has developed, and will annually review, position descriptions for the Chairman of the Board of Directors, the Lead Director, the Chairman of each Board committee and the Chief Executive Officer. The Board of Directors also approves the corporate goals and objectives that the Chief Executive Officer is responsible for meeting.

It is the Board of Directors' expectation that members of management will carry out their duties and discharge their responsibilities with professionalism and integrity, with a view to achieving the Company's objectives and enhancing shareholder value.

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

### **Committees of the Board of Directors**

The Board of Directors has established an Audit and Risk Management Committee, a Corporate Governance, Appointments and Remuneration Committee and a Health, Safety, Environment and Sustainability Committee. The Audit and Risk Management Committee and the Corporate Governance, Appointments and Remuneration Committee are each composed of a majority of independent directors.

The Board of Directors has approved charters for each Board committee described below. At least annually, the Corporate Governance, Appointments and Remuneration Committee reviews each Board committee's charter and any suggested amendments are brought to the Board of Directors for consideration and, if thought advisable, approval.

The Board of Directors has delegated to the applicable committee those duties and responsibilities set out in each committee's charter and may further delegate, from time to time, such matters as the Board of Directors is authorized to delegate by applicable laws and regulations. As required, or as considered advisable, the Board of Directors shall consider for approval the specific matters delegated for review to the Board committees. To facilitate communication between the Board and its committees, each committee Chairman is required to provide a report to the Board of Directors on material matters considered by the committee at the next Board meeting after each meeting of the committee. Charters for each of the Board's committees are available on the Company's website at [www.talisonlithium.com](http://www.talisonlithium.com).

#### ***Audit and Risk Management Committee***

##### *Composition of the Audit and Risk Management Committee*

The Audit and Risk Management Committee has been structured to comply with the requirements of National Instrument 52-110. The Audit and Risk Management Committee is comprised of Messrs. Ronnie Beevor (Chairman), David Shaw and Mark Smith, each of whom is "financially literate" and independent within the meaning of National Instrument 52-110.

In addition to each member's general business experience, the education and experience of each member that is relevant to the performance of his responsibilities as an Audit and Risk Management Committee member is as follows:

- *Ronnie Beevor (Lead Director)*: Mr. Beevor is chairman of EMED Mining Public Limited. Prior to joining EMED Mining Public Limited in December 2004, Mr. Beevor was Head of Investment Banking at NM Rothschild & Sons (Australia) Limited from 1997 to 2002. Mr. Beevor has an Honours Degree in Philosophy, Politics and Economics from Oxford University and qualified as a Chartered Accountant by the Institute of Chartered Accountants in England and Wales in 1972. Mr. Beevor is currently a director and chairman of the audit committee of Bannerman Resources Limited and Bendigo Mining Limited and a director Rey Resources Limited.

- *David Shaw (Director)*: Mr. Shaw is a management consultant at Duckmanton Partners Ltd. Mr. Shaw has nearly three decades experience in the resource and finance industry with specific emphasis on technical and financial due diligence of resource projects. Mr. Shaw attained a Bachelor of Science - Geology from the University of Sheffield, England in 1973 and his Ph.D. in Structural Geology from Carleton University, Canada in 1980.
- *Mark Smith (Director)*: Mr. Smith is President, Chief Executive Officer and a director of Molycorp, Inc. Prior to joining Molycorp, Inc., Mr. Smith was the President and Chief Executive Officer of Chevron Mining, Inc., a wholly-owned subsidiary of Chevron Corporation, from August 2005 to September 2008. Prior to this, Mr. Smith was a Vice President where he managed the real estate, remediation, mining and carbon divisions of Unocal Corporation, an oil and gas production company, from May 1984 to August 2005. Mr. Smith has a Bachelor of Science Degree in Engineering from Colorado State University and a Juris Doctor, cum laude, from Western State University, College of Law.

*Policies and Procedures for the Engagement of Audit and Non-Audit Services*

The Audit and Risk Management Committee has not adopted specific policies and procedures for the engagement of non-audit services; however, the Audit and Risk Management Committee will pre-approve all non-audit services to be provided to the Company or its subsidiaries.

*Auditor's Fees*

KPMG has served as the Company's auditor since incorporation on October 22, 2009 and as auditor of Talison Minerals for the past three years. Fees billed by KPMG to the Company and its subsidiaries in the financial years ended June 30, 2010 and June 30, 2009 in respect of the Company and its subsidiaries were approximately A\$1,368,707 and A\$124,194, respectively, as detailed below.

<b>Type of Fees</b>	<b>Fees for Year Ended June 30, 2010</b>	<b>Fees for Year Ended June 30, 2009</b>
	(A\$)	(A\$)
Audit fees <sup>(1)</sup> .....	79,758	117,314
Audit-related fees <sup>(2)</sup> .....	693,540	—
Tax fees <sup>(3)</sup> .....	257,920	6,880
All other fees <sup>(4)</sup> .....	337,489	—
Total.....	1,368,707	124,194 <sup>(5)</sup>

Notes:

- (1) Audit fees billed were for professional services rendered for the audit and review of the financial statements of Talison Minerals and its subsidiaries or services provided in connection with statutory and regulatory filings.
- (2) Audit-related fees billed were for professional services rendered for the audit and review of financial statements in connection with the proposed initial public offering of the Company and the Plan of Arrangement with Salares.
- (3) Tax fees billed were for tax compliance and tax advice.
- (4) All other fees, as listed in the table above, include fees billed for services other than audit fees, and tax fees. Of these fees A\$301,439 relates to services with respect to providing an Investigating Accountant's Report for the proposed listing on the Australian Securities Exchange.
- (5) A portion of the total fees do not relate to the Greenbushes Lithium Operations as it was not possible in all circumstances to carve out such fees.

### *Charter of the Audit and Risk Management Committee*

The Company's Audit and Risk Management Committee operates under the "Audit and Risk Management Committee Charter". As set out in its charter, the Audit and Risk Management Committee is responsible for, among other things:

- (a) *Financial Reporting:* The Audit and Risk Management Committee is responsible for performing financial reporting duties, including the following:
- overseeing the integrity of the Company's financial statements and financial disclosures and the independence of the external auditor; and
  - reviewing, pre-approving and recommending for the Board's approval (i) all annual and interim financial statements, the external auditor's reports thereon and the related management's discussion and analysis before they are publicly disclosed, (ii) the financial disclosure in a prospectus or other securities offering document of the Company, and (iii) press releases disclosing or based upon financial results of the Company and any other material financial disclosure that is publicly disseminated.
- (b) *External Auditor:* The Audit and Risk Management Committee is responsible for performing duties associated with the external auditor, including the following:
- reviewing, selecting and recommending for shareholder approval the appointment and, if advisable, removal of the external auditor;
  - reviewing and approving all audit engagement terms and fees of the external auditor;
  - overseeing and evaluating the work of the external auditor;
  - resolving any disagreements between management and the external auditor as to financial reporting matters brought to its attention;
  - at least annually, discussing with the external auditor such matters as are required by applicable auditing standards to be discussed by the external auditor with the Audit and Risk Management Committee;
  - at least annually, reviewing a summary of the external auditor's annual audit plan and audit process and considering, in conjunction with the external auditor, any material change to the scope of that plan and/or the audit process;
  - at least annually, obtaining and reviewing a report of the external auditor describing (i) the auditor's internal quality-control procedures, (ii) any material issues raised by the most recent internal quality-control review, any peer review or any inquiry or investigation by governmental or professional authorities, and (iii) the auditor's independence;
  - at least annually, (i) obtaining a formal written statement from the external auditor describing any relationship between the external auditor and the Company, (ii) reviewing and discussing with the external auditor any disclosed relationships or services that may affect the objectivity and independence of the external auditor; (iii) obtaining written confirmation from the external auditor that they are objective and independent within the

meaning of the rules of professional conduct or code of ethics applicable to the auditor, and (iv) if necessary, taking appropriate action to oversee the independence of the external auditor;

- at least annually, reviewing the qualifications and performance of the lead partner or lead partners of the external auditor and determining whether it is appropriate to continue a policy of rotating lead partners of the external auditor;
- approving, in advance, any retainer of the external auditor to provide any non-audit service to the Company that it deems advisable in accordance with applicable requirements and the approved policies and procedures of the Board of Directors;
- ensuring the external auditor are prohibited from providing certain non-audit services enumerated in the Audit and Risk Management Committee Charter and determining which other non-audit services the external auditor are prohibited from providing;
- reviewing and approving the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor; and
- reviewing and discussing with management the appointment of key financial executives and, as appropriate, recommending qualified candidates to the Board of Directors.

(c) *Internal Controls:* The Audit and Risk Management Committee is responsible for performing internal control duties, including the following:

- reviewing the Company's system of internal controls; and
- at least annually, considering and reviewing with management and the external auditor (i) the effectiveness of or deficiencies in the Company's internal controls, the overall control environment for managing business risks, and the accounting, financial, disclosure, non-financial, legal and regulatory controls and the impact of any identified weaknesses in such internal controls on management's conclusions, (ii) any significant changes in internal controls over financial reporting that are disclosed or considered for disclosure, (iii) any material issues raised by any inquiry or investigation by the Company's regulators, (iv) any significant issues and recommendations of the external auditor and management's response thereto, (v) any significant accounting policies and the external auditor's responsibilities under applicable accounting standards, (vi) any restrictions on the scope of the external audit, (vii) any accounting adjustments arising from the audit that were noted or proposed by the external auditor but were passed as immaterial or otherwise, (viii) major issues discussed with management prior to retaining the external auditor and disagreements and difficulties encountered with management in performing the audit, (ix) the external auditor's judgment about the quality of the Company's accounting principles, and (x) the responsibilities, budget and staffing of the Company's internal audit function.

(d) *Risk Management:* The Audit and Risk Management Committee is responsible for performing risk management duties, including the following:

- establishing and reviewing the Company's systems of risk oversight and management and reporting the results to the Board of Directors;

- administering the risk management policy; and
  - establishing risk management systems designed to identify, assess, monitor and manage the Company’s material business risks, identifying material changes to the Company’s risk profile, and establishing policies for the oversight and management of the Company’s material business risks.
- (e) *Legal and Regulatory Compliance:* The Audit and Risk Management Committee is responsible for performing activities associated with legal and regulatory requirement compliance, including the following:
- reviewing (i) reports from management on legal or compliance matters that have a material impact on the Company, (ii) the effectiveness of the Company’s compliance policies, and (iii) any material communications received from regulators; and
  - reviewing management’s evaluations of, and representations relating to, compliance with applicable laws and guidance and management’s plans to remediate any deficiencies identified.
- (f) *Whistleblower Procedures:* The Audit and Risk Management Committee is responsible for establishing procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters, and (iii) the review of any such complaints or concerns received and, if a matter requires further investigation to reach a satisfactory conclusion, the engagement of outside advisors, as necessary or appropriate, to investigate such complaints or concerns; and
- (g) *Disclosure:* The Audit and Risk Management Committee is responsible for preparing, reviewing and approving any Audit and Risk Management Committee disclosures required by applicable requirements in the Company’s disclosure documents.

***Corporate Governance, Appointments and Remuneration Committee***

*Composition of the Corporate Governance, Appointments and Remuneration Committee*

The Corporate Governance, Appointments and Remuneration Committee is comprised of Messrs. Mason Hills (Chairman), Ronnie Beevor and David Shaw. Mr. Beevor and Mr. Shaw are “independent” within the meaning of National Instrument 52-110. However, Mr. Hills is not independent by virtue of his employment with Resource Capital Funds Management Pty Ltd, a wholly-owned subsidiary of RCF Management LL.C.

Although the Corporate Governance, Appointments and Remuneration Committee is not entirely independent, no member of the Corporate Governance, Appointments and Remuneration Committee is directly associated with management. For this reason, the Company believes that the committee can be objective in determining executive compensation and Board of Director and executive appointments. Additionally, the Company may engage independent consultant advice for executive compensation.

*Charter of the Corporate Governance, Appointments and Remuneration Committee*

The responsibilities, powers and operation of the Corporate Governance, Appointments and Remuneration Committee are set out in the Corporate Governance, Appointments and Remuneration Committee Charter. As set out in its charter, the Corporate Governance, Appointments and Remuneration Committee is responsible for, among other things:

(a) *Remuneration*: overseeing the Company's remuneration practices, including:

- making recommendations to the Board of Directors with respect to appropriate remuneration policies for the Chief Executive Officer, other key executives and executive directors;
- reviewing and approving corporate goals and objectives relevant to the compensation of the Chief Executive Officer;
- regularly reviewing each compensation plan in its entirety to determine whether it is reasonable on the whole and to determine if the individual parts serve the purpose of providing the right incentives to executives and directors;
- regularly reviewing and making recommendations to the Board of Directors regarding the remuneration packages of the Chief Executive Officer, other key executives and directors, to ensure that such remuneration packages are consistent with, and properly structured to enhance, long-term shareholder value;
- ensuring that executive remuneration packages 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;
- ensuring that a portion of each executive director's remuneration is structured in a manner designed to link rewards to both corporate and individual performance;
- ensuring that employee incentive schemes are designed around appropriate performance benchmarks that measure relative performance and provide rewards for materially improved Company performance;
- ensuring that the performance of each key executive is evaluated at least annually;
- ensuring that salaries reflect the requirements of the marketplace and attract and retain the skills and abilities required;
- ensuring that employment agreements include a clear articulation of performance expectations; and
- ensuring that change of control and severance compensation arrangements are reasonable, will not entrench management, and will enable management to make decisions in the best interests of the Company and its shareholders regardless of their own welfare in the event of a successful takeover;

(further particulars of the process by which compensation for the Company's directors and officers is determined can be found under the heading "Executive Compensation");

- (b) *Corporate Governance*: developing the Company's approach to corporate governance issues, including:
- conducting periodic reviews of the Company's corporate governance policies and making policy recommendations aimed at enhancing Board and Corporate Governance, Appointments and Remuneration Committee effectiveness;
  - overseeing the Code of Business Conduct and Ethics and other policies on conflicts;
  - recommending procedures to permit the Board of Directors to meet on a regular basis without management or non-independent directors present;
  - reviewing the Company's public disclosure documents relating to corporate governance practice and preparing recommendations on such corporate governance;
  - providing periodic updates to the Board of Directors on recent developments in corporate governance; and
  - conducting periodic reviews of the relationship between management and the Board of Directors, with a view to ensuring effective communication and the provision of information to the Board of Directors in a timely manner;
- (c) *Nomination*: maintaining the succession plan of the Company, assessing the competencies, skills, independence and performance of existing directors, and ensuring that the Board of Directors and management have the appropriate skill and experience required to succeed in their positions;
- (d) *Communications*: developing and implementing the Company's communications policies;
- (e) *Miscellaneous*: assisting the Lead Director in carrying out his or her responsibilities and reviewing annually the adequacy of the directors' and officers' indemnity and insurance coverage;
- (f) *Director Identification and Recruitment*: maintaining procedures for the identification, recruitment and selection of qualified director candidates, including identifying individuals qualified to become Board members and recommending nominees for election and appointment to the Board of Directors. The Corporate Governance, Appointments and Remuneration Committee may utilise the facilities of recruitment consultants to assist in the identification of new nominees. New nominees must have the required skill set, relevant expertise and experience and the ability to devote the time required;
- (g) *Board Composition*: under the supervision of the Chairman or Lead Director, regularly reviewing the effectiveness, size and composition of the Board of Directors and, at least annually, making recommendations to the Board with regard to any appropriate changes, taking into consideration the current independence, strengths, competencies, skills and experience of Board members and directors whose term of office is expiring, and the strategic direction of the Company;
- (h) *Committee Composition*: reviewing and recommending to the Board of Directors the appropriate structure, size, composition and membership of each Board committee and recommending the appointment of directors to each committee. In addition, the Corporate Governance, Appointments and Remuneration Committee shall recommend procedures to ensure that the Board of Directors and its committees function independently of management;

- (i) *Orientation*: at least annually, ensuring sufficient orientation procedures are in place to enable new directors to operate effectively from the beginning of their appointments, including site visits, introduction to key management, customers and investors, and counselling from the Chairman and Lead Director as to the effective operation of the Board;
- (j) *Continuing Education*: identifying, assessing and enhancing director competencies, at least annually ensuring sufficient continuing education programs are in place for all directors. The Corporate Governance, Appointments and Remuneration Committee will assess the need for specific continuing education programs for each director to ensure the directors maintain the skills and knowledge required to meet their obligations and discharge their responsibilities in accordance with the Board Charter. Continuing education programs will be arranged to address specific issues as necessary, through appropriate service providers;
- (k) *Board and Director Evaluations*: establishing procedures to oversee the evaluation, on an ongoing basis, of the performance of the Board of Directors, its committees and each director, including an assessment of whether each director has devoted sufficient time to his or her duties. In connection with such assessments, each director is annually requested to provide an assessment of the effectiveness of the Board and each committee, as well as assessments of the performance of the individual directors. The peer evaluations take into account the competencies and skills that each director is expected to bring to his or her particular role on the Board of Directors or a Board committee. Once the results have been compiled, to the extent necessary, the Chairman of the Board addresses any issues that are raised in the assessments and evaluations;
- (l) *Code of Business Conduct and Ethics*: receiving reports regarding breaches of the Code of Business Conduct and Ethics, reviewing investigations and resolutions of complaints received under the Code of Business Conduct and Ethics, and reporting annually to the Board of Directors thereon; and
- (m) *Charter and Position Description Reviews*: at least annually reviewing the Board Charter and the charter for each Board committee, together with the position descriptions of each of the Chairman of the Board, the Lead Director, the Chief Executive Officer and committee Chairmen and, where necessary, recommending changes to the Board of Directors.

### ***Health, Safety, Environment and Sustainability Committee***

#### *Composition of the Health, Safety, Environment and Sustainability Committee*

The Health, Safety, Environment and Sustainability Committee is comprised of Messrs. Mason Hills (Chairman), Mark Smith and Peter Robinson. Mr. Smith is “independent” within the meaning of National Instrument 52-110. However, Peter Robinson is not independent by virtue of his previous position with Talison Minerals and Mr. Hills is not independent by virtue of his employment with Resource Capital Funds Management Pty Ltd, a wholly-owned subsidiary of RCF Management LL.C.

#### *Charter of the Health, Safety, Environment and Sustainability Committee*

The responsibilities, powers and operation of the Health, Safety, Environment and Sustainability Committee are set out in the Health, Safety, Environment and Sustainability Committee Charter. As set out in its charter, the Health, Safety, Environment and Sustainability Committee is responsible for, among other things:

- reviewing and monitoring the sustainability, environmental, safety and health policies and activities of the Company on behalf of the Board of Directors to ensure the Company is in compliance with appropriate laws and legislation;
- reviewing monthly sustainability, environmental, health and safety reports and annual reports by management on sustainable development, environmental, safety and health issues;
- encouraging, assisting, supporting and counselling management in developing short and long-term policies and standards to ensure that the principles set out in the sustainability, environmental, health and safety policies are being adhered to and achieved;
- regularly reviewing community, environmental, health and safety response compliance issues and incidents to determine whether the Company is taking all necessary action in respect of those matters and that the Company has been duly diligent in carrying out its responsibilities and activities in that regard;
- ensuring that principal areas of community, environmental, health and safety risk and impacts are identified and that sufficient resources are allocated to address these risks and impacts;
- ensuring that the Company monitors trends and reviews current and emerging issues in the fields of sustainability, environment, health and safety and evaluates the impact these issues have on the Company;
- ensuring that the directors are kept advised of their duties and responsibilities related to the scope of the Health, Safety, Environment and Sustainability Committee;
- making periodic visits, individually and as a committee, to corporate locations in order to become familiar with the nature of the operations and to review relevant objectives, procedures and performance with respect to sustainability, environment, health and safety;
- investigating, or causing to be investigated, any extraordinary negative sustainability, environment, health and safety performance where appropriate; and
- reviewing and making recommendations to the Board of Directors with respect to environmental aspects of acquisitions and dispositions with material environmental implications.

### **Other Policies and Procedures of the Board of Directors**

The Board of Directors has also established the following policies and procedures:

#### *Code of Business Conduct and Ethics*

The Board of Directors has adopted and has agreed to be bound by the Code of Business Conduct and Ethics (which is available on the Company's website at [www.talisonlithium.com](http://www.talisonlithium.com)), which is designed to deter wrongdoing and to promote:

- honest and ethical conduct and full, fair, accurate, timely and understandable disclosure in all documents submitted to applicable securities regulators and in other public communications made by the Company;

- avoidance of conflicts of interest and compliance with applicable governmental laws, rules and regulations; and
- prompt internal reporting to appropriate persons of violations of the Code of Business Conduct and Ethics and accountability for adherence to the Code of Business Conduct and Ethics.

All directors, officers and employees are responsible for understanding and complying with the Code of Business Conduct and Ethics. New directors, officers and employees are required to sign an acknowledgement with respect thereto. The Code of Business Conduct and Ethics requires all directors, officers and employees of the Company to:

- act honestly, with integrity and in the best interests of the Company;
- refrain from entering into arrangements that unlawfully restrict the Company's ability to compete with other businesses or the ability of other business organizations to compete freely with the Company and avoid entering into or discussing any unlawful arrangements or understandings that may result in unfair business practices or anticompetitive behaviour;
- deal honestly, fairly and ethically with all of the Company's securityholders, customers, suppliers, competitors, employees, joint venture partners, creditors, financiers, the financial markets, governments and the general public;
- deliver securityholder value within a framework that safeguards the rights and interests of the Company's securityholders and the financial community generally;
- avoid responding to inquiries or requests for information from the media, unless the director, officer or employee in question is specifically authorized to represent the Company to the media under the Company's Disclosure Policy;
- conduct the Company's business and affairs with honesty and integrity and comply in good faith with all applicable laws, rules and regulations;
- conduct the Company's dealings with public officials in a manner that will not compromise the integrity or impugn the reputation of any public official or the Company;
- recognize safety issues and policies that affect their jobs, other employees and the community in general and work proactively to eliminate health risks and develop safe workplace environments;
- comply with all environmental laws and regulations applicable to workplace activities, understand the environmental consequences of such activities and perform those activities in an environmentally safe manner;
- promote and act in a manner consistent with a harassment-free and violence-free workplace;
- provide equal opportunities to people without regard to race, colour, gender, sexual orientation, nationality, religion, ethnic affiliation, age, disability or any other characteristic protected by Canadian, Australian or local laws and regulations, as applicable;
- abide by the Company's "zero tolerance" policy for illegal drug use and consumption of alcohol or other substance abuse on the job or which affects job performance;

- refrain from soliciting or accepting any cash, gifts or free services that could be reasonably considered extravagant or could otherwise improperly influence the Company's business relationship with or create an obligation to a customer, supplier or contractor;
- obtain the Company's prior approval before accepting any secondary employment, officership or directorship opportunity;
- safeguard and keep confidential all non-public information about the Company or its partners, unless disclosure is authorized by the Company or legally mandated, and refrain from using such information for personal benefit;
- advance the Company's legitimate interests when the opportunity to do so arises and protect the Company's assets and ensure their efficient use, including avoiding (i) taking for themselves opportunities that are discovered through the use of the Company's property, information or position, (ii) using the Company's property, information or position for unlawful or unethical purposes or personal gain, or (iii) intentionally damaging or destroying the Company's property;
- observe obligations of confidentiality and non-disclosure of personal information, including information regarding the Company's employees and customers, and comply with all applicable laws regulating the disclosure of personal information;
- maintain the Company's books, records and accounts in a manner that reflects accurately and fairly all transactions in accordance with the highest standards of integrity and applicable generally accepted accounting policies;
- present all financial information in a truthful, accurate and timely manner and avoid exerting any influence over, coercing, misleading, or in any way manipulating or attempting to manipulate the independent auditor of the Company;
- ensure the full, fair, accurate, timely and understandable disclosure of all reports and documents filed with or submitted to Canadian and Australian securities regulators and all other public communications; and
- comply with all provisions of the Code of Business Conduct and Ethics.

Management monitors compliance with the Code of Business Conduct and Ethics, which provides for a confidential reporting process of any possible violations to the Chief Executive Officer or the Chairman of the Corporate Governance, Appointments and Remuneration Committee. Management meets regularly to discuss compliance with the Code of Business Conduct and Ethics and reports any issues to the Board of Directors. The Code of Business Conduct and Ethics is reviewed by the Board of Directors on an annual basis. The Board of Directors will appoint an independent consultant to monitor and review compliance with the Code of Business Conduct and Ethics.

### ***Whistleblowing Policy***

The Company has a Whistleblowing Policy which provides a procedural framework for the confidential, anonymous submission of concerns regarding "whistleblower incidents" by directors, officers or employees of the Company. The term "whistleblower incident" is defined in the Whistleblowing Policy as a concern relating to the Company's accounting, internal accounting controls or auditing matters (as such, whistleblower incidents are not intended to include matters such as routine grievances on the Company's operational matters, harassment or discrimination).

The Audit and Risk Management Committee, with the assistance of the Company Secretary, is responsible for administering the Whistleblowing Policy. Issues and concerns regarding an alleged whistleblower incident may be reported to the Chairman of the Audit and Risk Management Committee or any other member of the Audit and Risk Management Committee.

The Whistleblowing Policy requires directors, officers and employees of the Company to immediately communicate whistleblower incidents as they become aware of any such incidents. All reported whistleblower incidents shall be treated in a confidential manner and an individual that reports such an incident shall be provided the opportunity to remain anonymous. In addition, the policy prohibits any act of retaliation against an individual who reports a violation in good faith.

### ***Disclosure Policy***

The Audit and Risk Management Committee is responsible for overseeing the Company's Disclosure Policy. The primary goal of the Disclosure Policy is to promote appropriate and consistent disclosure practices aimed at seeking to ensure that the Company complies with its continuous disclosure obligations. In particular, the Audit and Risk Management Committee endeavours to ensure that the Company's communications are in compliance with applicable laws, timely, factual, accurate, complete and broadly disseminated and equally accessible to the Company's shareholders, market participants, customers, suppliers, financiers, creditors, other stakeholders and the wider public. In addition, where necessary, the Audit and Risk Management Committee also endeavours to file all such communications with the securities regulators in accordance with applicable securities laws.

The Disclosure Policy applies to all directors, officers, employees and insiders of the Company. The policy encompasses disclosure documents filed with the Canadian and Australian securities regulators and written statements made in the Company's annual and quarterly reports, press releases, letters to shareholders, presentations by senior management, and information contained on the Company's website and other electronic communications. The Disclosure Policy also applies to oral statements made in group and individual meetings, telephone conversations with employees or members of the investment community, interviews with the media, speeches, industry conferences, news conferences, conference calls, and dealings with the general public.

Under the Disclosure Policy, the Audit and Risk Management Committee is responsible for administering the Company's regularly scheduled "blackout period", during which time directors, officers and employees and insiders of the Company with knowledge of material confidential information about the Company, counterparties in negotiations with the Company involving potential material transactions, and financial and other professional advisors, are all prohibited from trading in securities of the Company (and, if applicable, in securities of such counterparties) until the material information has been fully disclosed and a reasonable period of time has passed for the information to be widely disseminated. The Company's regularly scheduled blackout period, during which time directors, officers and employees and insiders of the Company with knowledge of material information affecting the Company that has not been publicly disclosed may not trade in the Company's securities, commences at the beginning of the first full week of the last month of a financial period (i.e., third month of quarter) through to the second business day after the public release disclosing quarterly results. The Audit and Risk Management Committee or the Board of Directors may, from time to time, impose additional blackout periods or provide exemptions if appropriate and permitted by law.

In addition, to avoid the potential for selective disclosure, the Disclosure Policy provides for the observation of a regularly scheduled "quiet period" commencing on the week prior to the planned release date for disclosing the financial results for that financial period through to the issuance of a press release disclosing the financial results for that financial period. During the quiet period, the Company's

management is required to reduce the level of discussions or other forums for communication with members of the investment community in respect of forward-looking statements, as well as any developments in the Company's business or the market for its securities subsequent to the commencement of the quiet period, and will not initiate any such discussions or communications unless so authorized by the Audit and Risk Management Committee or the Board of Directors. As well, during the quiet period, the Company restricts discussions by its employees with such persons to general and publicly disclosed information concerning the Company, including its historical financial results.

The Disclosure Policy also prohibits directors, officers, employees and other insiders of the Company from trading in securities of the Company while the Company has undisclosed material information unless such trades are first pre-approved in writing by the administrator of the Disclosure Policy.

The Disclosure Policy is reviewed periodically by the Audit and Risk Management Committee and any suggested amendments thereto are brought to the Board of Directors for consideration and, if thought advisable, approval.

### **Size and Compensation of the Board of Directors**

As noted above, the Board of Directors consists of seven members, three of whom are independent. The Board of Directors reviews director compensation from time to time. The Board believes that current director compensation realistically reflects the responsibilities and risks involved in being an effective director.

### **Shareholder Feedback**

Inquiries from holders of Ordinary Shares and Exchangeable Shares are referred initially to Mr. Todd Hilditch or Ms. Emma Hall, who are responsible for shareholder communications. The Company communicates regularly with shareholders and others interested in the Company through periodic press releases announcing business developments, the release of quarterly and annual financial results, continuous disclosure materials under applicable securities laws and by responding to specific inquiries. Shareholders can contact the Company by phone at +61 8 9263 5555 or by email at [perth@talisonlithium.com](mailto:perth@talisonlithium.com).

### **AUDITOR**

The auditor of the Company is KPMG, 235 St Georges Terrace, Perth, Western Australia 6000. KPMG was appointed as auditor of the Company at the inception of the Company on October 22, 2009.

### **ADDITIONAL INFORMATION**

The Company shall provide to any holder of Ordinary Shares or Exchangeable Shares, upon written request to the Company Secretary, at the Company's registered office, located at Level 4, 37 St Georges Terrace, Perth, Western Australia 6000, Australia (facsimile: + 61 8 9202 1144) one copy of the audited financial statements of the Company for its most recently completed financial year, and one copy of any interim financial statements subsequent to the audited financial statements of the Company that have been filed for any period after the end of its most recently completed financial year.

Financial information for the Company's most recently completed financial year, being the year ended June 30, 2010, is provided in the audited financial statements of the Company as at the financial year ended June 30, 2010.

These documents, along with additional information relating to the Company, are also available on SEDAR at [www.sedar.com](http://www.sedar.com).

\* \* \* \* \*

### **DIRECTORS' APPROVAL**

The contents and the sending of this Explanatory Memorandum and Management Information Circular have been approved by the Board of Directors of the Company.

Dated as of November 2, 2010.

By Order of the Board of Directors

*"Lorry Mignacca"*

Chief Financial Officer and  
Company Secretary

**SCHEDULE "A"**

**ORDINARY RESOLUTION OF THE SHAREHOLDERS  
OF TALISON LITHIUM LIMITED  
(the "Company")**

**RE: Re-appointment of KPMG as the Auditor of the Company**

**WHEREAS**, pursuant to section 327B of the *Corporations Act 2001* (Commonwealth of Australia), the Company wishes to re-appoint KPMG as the auditor of the Company to hold office until a successor is appointed;

**NOW THEREFORE BE IT RESOLVED** as an ordinary resolution that:

1. KPMG, which was appointed auditor of the Company on October 22, 2009, be re-appointed as auditor of the Company with immediate effect to hold office until a successor is appointed; and
2. any director or officer of the Company be and the same is hereby authorized and directed, for and in the name of and on behalf of the Company, to execute or cause to be executed, whether under corporate seal of the Company or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing.

**SCHEDULE "B"**

**ORDINARY RESOLUTION OF THE SHAREHOLDERS  
OF TALISON LITHIUM LIMITED  
(the "Company")**

**RE: Re-election of Mr. Peter Oliver as a Director of the Company**

**WHEREAS** in accordance with Article 47 of the Constitution of the Company, Mr. Peter Oliver retires as a director of the Company and being eligible offers himself for re-election;

**NOW THEREFORE BE IT RESOLVED** as an ordinary resolution that:

1. Mr. Peter Oliver, who was appointed as a director of the Company on August 4, 2010, retires as a director of the Company in accordance with Article 47 of the Constitution of the Company and being eligible be re-elected as a director of the Company with immediate effect; and
2. any director or officer of the Company be and the same is hereby authorized and directed, for and in the name of and on behalf of the Company, to execute or cause to be executed, whether under corporate seal of the Company or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing.

**SCHEDULE "C"**

**ORDINARY RESOLUTION OF THE SHAREHOLDERS  
OF TALISON LITHIUM LIMITED  
(the "Company")**

**RE: Re-election of Mr. Peter Robinson as a Director of the Company**

**WHEREAS** in accordance with Article 47 of the Constitution of the Company, Mr. Peter Robinson retires as a director of the Company and being eligible offers himself for re-election;

**NOW THEREFORE BE IT RESOLVED** as an ordinary resolution that:

1. Mr. Peter Robinson, who was appointed as a director of the Company on August 4, 2010, retires as a director of the Company in accordance with Article 47 of the Constitution of the Company and being eligible be re-elected as a director of the Company with immediate effect; and
2. any director or officer of the Company be and the same is hereby authorized and directed, for and in the name of and on behalf of the Company, to execute or cause to be executed, whether under corporate seal of the Company or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing.

**SCHEDULE “D”**

**ORDINARY RESOLUTION OF THE SHAREHOLDERS  
OF TALISON LITHIUM LIMITED  
(the “Company”)**

**RE: Re-election of Mr. Ronnie Bevor as a Director of the Company**

**WHEREAS** in accordance with Article 47 of the Constitution of the Company, Mr. Ronnie Bevor retires as a director of the Company and being eligible offers himself for re-election;

**NOW THEREFORE BE IT RESOLVED** as an ordinary resolution that:

1. Mr. Ronnie Bevor, who was appointed as a director of the Company on August 4, 2010, retires as a director of the Company in accordance with Article 47 of the Constitution of the Company and being eligible be re-elected as a director of the Company with immediate effect; and
2. any director or officer of the Company be and the same is hereby authorized and directed, for and in the name of and on behalf of the Company, to execute or cause to be executed, whether under corporate seal of the Company or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing.

**SCHEDULE "E"**

**ORDINARY RESOLUTION OF THE SHAREHOLDERS  
OF TALISON LITHIUM LIMITED  
(the "Company")**

**RE: Re-election of Mr. Mason Hills as a Director of the Company**

**WHEREAS** in accordance with Article 47 of the Constitution of the Company, Mr. Mason Hills retires as a director of the Company and being eligible offers himself for re-election;

**NOW THEREFORE BE IT RESOLVED** as an ordinary resolution that:

1. Mr. Mason Hills, who was appointed as a director of the Company on October 22, 2009, retires as a director of the Company in accordance with Article 47 of the Constitution of the Company and being eligible be re-elected as a director of the Company with immediate effect; and
2. any director or officer of the Company be and the same is hereby authorized and directed, for and in the name of and on behalf of the Company, to execute or cause to be executed, whether under corporate seal of the Company or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing.

**SCHEDULE "F"**

**ORDINARY RESOLUTION OF THE SHAREHOLDERS  
OF TALISON LITHIUM LIMITED  
(the "Company")**

**RE: Re-election of Mr. Mark Smith as a Director of the Company**

**WHEREAS** in accordance with Article 47 of the Constitution of the Company, Mr. Mark Smith retires as a director of the Company and being eligible offers himself for re-election;

**NOW THEREFORE BE IT RESOLVED** as an ordinary resolution that:

1. Mr. Mark Smith, who was appointed as a director of the Company on August 4, 2010, retires as a director of the Company in accordance with Article 47 of the Constitution of the Company and being eligible be re-elected as a director of the Company with immediate effect; and
2. any director or officer of the Company be and the same is hereby authorized and directed, for and in the name of and on behalf of the Company, to execute or cause to be executed, whether under corporate seal of the Company or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing.

**SCHEDULE "G"**

**ORDINARY RESOLUTION OF THE SHAREHOLDERS  
OF TALISON LITHIUM LIMITED  
(the "Company")**

**RE: Re-election of Mr. David Shaw as a Director of the Company**

**WHEREAS** in accordance with Article 47 of the Constitution of the Company, Mr. David Shaw retires as a director of the Company and being eligible offers himself for re-election;

**NOW THEREFORE BE IT RESOLVED** as an ordinary resolution that:

1. Mr. David Shaw, who was appointed as a director of the Company on September 22, 2010, retires as a director of the Company in accordance with Article 47 of the Constitution of the Company and being eligible be re-elected as a director of the Company with immediate effect; and
2. any director or officer of the Company be and the same is hereby authorized and directed, for and in the name of and on behalf of the Company, to execute or cause to be executed, whether under corporate seal of the Company or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing.

**SCHEDULE "H"**

**ORDINARY RESOLUTION OF THE SHAREHOLDERS  
OF TALISON LITHIUM LIMITED  
(the "Company")**

**RE: Re-election of Mr. Frank Wheatley as a Director of the Company**

**WHEREAS** in accordance with Article 47 of the Constitution of the Company, Mr. Frank Wheatley retires as a director of the Company and being eligible offers himself for re-election;

**NOW THEREFORE BE IT RESOLVED** as an ordinary resolution that:

1. Mr. Frank Wheatley, who was appointed as a director of the Company on August 4, 2010, retires as a director of the Company in accordance with Article 47 of the Constitution of the Company and being eligible be re-elected as a director of the Company with immediate effect; and
2. any director or officer of the Company be and the same is hereby authorized and directed, for and in the name of and on behalf of the Company, to execute or cause to be executed, whether under corporate seal of the Company or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing.

## APPENDIX “A”

### CHARTER OF THE BOARD OF DIRECTORS OF TALISON LITHIUM LIMITED

#### 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.

(a) **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

**APPENDIX “B”**

**FINANCIAL REPORT OF TALISON LITHIUM LIMITED  
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2010**

[see attached]

**Talison Lithium Limited** ABN 15 140 122 078  
**Financial Report - 30 June 2010**

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## **Directors' Report**

The Directors present their report together with the financial report of Talison Lithium Limited ("Talison Lithium" or the "Company") for the period from date of incorporation of 22 October 2009 to 30 June 2010 and the independent auditor's report thereon. Talison Lithium Limited is a company domiciled in Australia. The address of the Company's registered office is Level 4, 37 St Georges Terrace, Perth WA 6000.

## **Directors**

The directors of the Company at any time during or since the end of the financial year were:

Mason Gordon Hills (appointed 22 October 2009)

Peter Charles Robinson (appointed 22 October 2009, resigned 3 March 2010, re-appointed 4 August 2010)

Peter Robert Oliver (appointed 22 October 2009, resigned 3 March 2010, re-appointed 4 August 2010)

Bryan Alfred Ellis (appointed 3 November 2009, resigned 3 March 2010)

Mark Alan Smith (appointed 10 November 2009, resigned 3 March 2010, re-appointed 4 August 2010)

Frank David Wheatley (appointed 10 November 2009, resigned 3 March 2010, re-appointed 4 August 2010)

Ronald Hugh Beevor (appointed 10 November 2009, resigned 3 March 2010, re-appointed 4 August 2010)

James Timothy McClements (appointed 4 March 2010, resigned 12 August 2010)

## **Principal activities**

The Company was incorporated with share capital of \$1 on 22 October 2009 and did not undertake any activities during the period from date of incorporation to 30 June 2010.

## **Significant changes**

There were no significant changes in the state of affairs of the Company during the year.

## **Operating and Financial Review**

### *Results of the Company*

The net consolidated profit for the financial year attributable to members of the Company after income tax expense was \$nil.

## **Dividend**

No dividends have been paid or declared by the Company to members during the year or up to the date of this report.

### **Events subsequent to reporting date**

Talison Lithium entered into an agreement dated 11 August 2010 (the "Shareholder Reorganisation Deed") with the shareholders of Talison Minerals Pty Ltd ("Talison Minerals") whereby Talison Lithium was granted and exercised an option to acquire their entire share capital of Talison Minerals in exchange for 68,424,377 ordinary shares of Talison Lithium.

Talison Lithium entered into a plan of arrangement under the British Columbia *Business Corporations Act* ("Plan of Arrangement") on 12 August 2010 with Salares whereby Talison Lithium agrees to acquire the entire share capital of Salares in exchange for 13,036,838 ordinary or exchangeable shares, 3,107,367 ordinary or exchangeable warrants and 892,344 ordinary or exchangeable options of Talison Lithium. Concurrent with the Plan of Arrangement Salares will undertake to raise \$40 million Canadian dollars ("C\$") (\$44.55 million Australian dollars ("A\$") based on the exchange rate at 30 June 2010 of A\$1.00 = C\$0.8979) through the issue of subscription receipts of Salares. The subscription receipts shall be exchanged for 11,433,574 ordinary shares of Talison Lithium on satisfaction of certain conditions.

Other than the above, no matters have arisen in the interval between the end of the financial year and the date of this report regarding any items, transactions or events of a material and unusual nature which in the opinion of the Board of Directors will significantly affect the operations of the Company in the future years.

### **Likely developments**

Information about likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

### **Lead auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

This report is made in accordance with a resolution of the Directors.



P R Oliver  
*Director*

Perth  
Dated: 19 August 2010



*Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001*

To: the directors of Talison Lithium Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the period 22 October 2009 to 30 June 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

*KPMG*

KPMG

A handwritten signature in black ink, appearing to read 'R Gambitta', written over a circular stamp or seal.

R Gambitta  
*Partner*

Perth

August 19, 2010

**Talison Lithium Limited** ABN 15 140 122 078  
**Financial Report - 30 June 2010**

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Talison Lithium Limited  
Statement of comprehensive income  
For the period from 22 October 2009 to 30 June 2010

	\$
Revenue	-
<b>Profit (loss) for the period</b>	<u>-</u>
<b>Other comprehensive income for the period, net of income tax</b>	-
<b>Total comprehensive income for the period</b>	<u>-</u>

*The above statement of comprehensive income should be read in conjunction with the accompanying notes*

Talison Lithium Limited  
Balance sheet  
As at 30 June 2010

	<b>Note</b>	<b>\$</b>
<b>ASSETS</b>		
Cash and cash equivalents	2	<u>1</u>
<b>Total assets</b>		<u><b>1</b></u>
<b>Total liabilities</b>		-
<b>Net assets</b>		<u><b>1</b></u>
<b>EQUITY</b>		
Shareholders' equity	3	<u>1</u>
<b>Total equity</b>		<u><b>1</b></u>

*The above balance sheet should be read in conjunction with the accompanying notes*

Talisson Lithium Limited  
Statement of changes in equity  
For the period from 22 October 2009 to 30 June 2010

	<b>Share capital \$</b>	<b>Total equity \$</b>
<b>Balance as at 22 October 2009</b>	-	-
Profit or loss	-	-
<b>Total comprehensive income for the period</b>	-	-
<b>Transactions with owners recorded directly in equity</b>		
Contributions by owners	1	1
<b>Total contributions by and distributions to owners</b>	1	1
<b>Balance as at 30 June 2010</b>	1	1

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

Talisson Lithium Limited  
Cash flow statement  
For the period from 22 October 2009 to 30 June 2010

	\$
<b>Net cash flow from operating activities</b>	-
<b>Net cash flow from investing activities</b>	-
Proceeds from the issue of share capital	1
<b>Net cash flow from financing activities</b>	<u>1</u>
Cash and cash equivalents at the beginning of the period	-
<b>Cash and cash equivalents at 30 June 2010</b>	<u>1</u>

*The above cash flow statement should be read in conjunction with the accompanying notes*

## 1 Summary of significant accounting policies

### (a) Reporting entity

Talison Lithium Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office address is Level 4, 37 St Georges Terrace, Perth, Western Australia 6000.

### (b) Basis of preparation

#### (i) Statement of compliance

This financial report is a general purpose report which has been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The financial report also complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. The financial statements were approved by the Board of Directors on 16 August 2010

#### (ii) Basis of measurement

These financial statements have been prepared on the historical cost basis.

#### (iii) Functional and presentation currency

These financial statements have been presented in Australian dollars, which is the Company's functional currency.

### (c) Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand.

### (d) Contributed equity

The Company's single ordinary share on issue is classified as equity.

## 2 Cash and cash equivalents

	\$
Cash on hand	<u>1</u>

## 3 Shareholder's equity

	Number of shares	\$
Issued and paid up capital		
Ordinary share	<u>1</u>	<u>1</u>

The Company issued one ordinary share on incorporation.

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

#### 4 Related parties

The directors of the Company at the date of incorporation of 22 October 2009 were:

- Mason Gordon Hills
- Peter Charles Robinson (resigned 3 March 2010)
- Peter Robert Oliver (resigned 3 March 2010)

The following directors were appointed subsequent to the date of incorporation:

- Bryan Alfred Ellis (appointed 3 November 2009, resigned 3 March 2010)
- Mark Alan Smith (appointed 10 November 2009, resigned 3 March 2010)
- Frank David Wheatley (appointed 10 November 2009, resigned 3 March 2010)
- Ronald Hugh Beevor (appointed 10 November 2009, resigned 3 March 2010)
- James Timothy McClements (appointed 4 March 2010)

There were no related party transactions during the period ended 30 June 2010.

#### 5 Commitments and contingencies

The company does not have any commitments and contingencies.

#### 6 Subsequent events

The following directors were appointed subsequent to 30 June 2010:

- Peter Charles Robinson (appointed 4 August 2010)
- Peter Robert Oliver (appointed 4 August 2010)
- Mark Alan Smith (appointed 4 August 2010)
- Frank David Wheatley (appointed 4 August 2010)
- Ronald Hugh Beevor (appointed 4 August 2010)

The following director resigned subsequent to 30 June 2010:

- James Timothy McClements (resigned 12 August 2010)

Talison Lithium entered into an agreement dated 11 August 2010 (the "Shareholder Reorganisation Deed") with the shareholders of Talison Minerals whereby Talison Lithium is granted an option to acquire their entire share capital of Talison Minerals in exchange for 68,424,377 ordinary shares of Talison Lithium.

Talison Lithium entered into a plan of arrangement under the British Columbia *Business Corporations Act* ("Plan of Arrangement") on 12 August 2010 with Salares whereby Talison Lithium agrees to acquire the entire share capital of Salares in exchange for 13,036,838 ordinary or exchangeable shares, 3,107,367 ordinary or exchangeable warrants and 892,344 ordinary or exchangeable options of Talison Lithium. Concurrent with the Plan of Arrangement Salares will undertake to raise gross proceeds of \$40 million Canadian dollars ("C\$") (\$44.55 million Australian dollars ("A\$") based on the exchange rate at 30 June 2010 of A\$1.00 = C\$0.8979) through the issue of subscription receipts of Salares. The subscription receipts shall be exchanged for 11,433,574 ordinary shares of Talison Lithium on satisfaction of certain conditions.

### **Directors' declaration**

In the opinion of the directors of Talison Lithium Limited ('the Company'):

- (a) the financial statements and notes set out on pages 6 to 11 hereof:
  - (i) give a true and fair view of the Company's financial position as at 30 June 2010;
  - (ii) comply with Australian Accounting Standards (including the Australian Accounting Interpretations); and
  - (iii) comply with International Financial Reporting Standards.
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts and when they become due and payable.



P R Oliver  
*Director*

Perth  
Dated: 19 August 2010



## **Independent auditor's report to the members of Talison Lithium Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Talison Lithium Limited (the Company), which comprises the balance sheet as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 22 October 2009 to 30 June 2010, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's financial position and of its performance.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion*

In our opinion:

(a) the financial report of Talison Lithium Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(b).

KPMG

KPMG

R Gambitta  
*Partner*

Perth

August 19, 2010

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